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THE WALL STREET JOURNAL.

VOL. XXXIV NO. 109 (India facsimile Vol. 1 No. 170) ASIA Tuesday, February 2, 2010

DOWJONES A NEWS CORPORATION COMPANY asia.WSJ.com

Toyota sets repair plans for gas pedal

By Neal E. Boudette

DETROIT—**Toyota Motor** Corp. said on Monday that it has already begun shipping a fix to the sticky gas pedal problem that forced the company to recall millions of vehicles and stop selling eight models in the U.S. and some other countries.

Toyota also said its U.S. dealers will stay open extended hours to get customers' vehicles repaired as quickly as possible.

Recall fallout

■ Toyota's response in Japan differs from in the U.S. 22
■ What the mess could end up costing Toyota 25

"We are truly sorry for what has happened," said Jim Lentz, president and chief operating officer of Toyota's U.S. sales arm, in a conference call with reporters. "We are confident we have identified the causes" of the reports of sudden acceleration, which are misaligned floor mats and sticky accelerator pedals.

"These two fixes solve the issues that we know of," Mr. Lentz added.

Toyota said it has pinpointed the issue that could, on rare occasions, cause accelerator pedals in recalled vehicles to stick in a partially open position.

The issue involves a friction device in the pedal designed to provide the proper "feel" by adding resistance and making the pedal steady and stable, Toyota said. The device includes a shoe that rubs against an adjoining surface during normal pedal operation.

"Due to the materials used, wear and environmental conditions, these surfaces may, over time, begin to stick and release instead of operating smoothly.

In some cases friction could increase to a point that the pedal is slow to return to the idle position or, in rare cases, the pedal sticks, leaving the throttle partially open," the company said in a statement.

The company is convinced the acceleration problems aren't caused by faulty elec-

Please turn to page 22

Suicide bomber kills scores of Shiite pilgrims in Iraq

Associated Press

Relatives grieve by the coffin of a victim from Monday's attack in Baghdad. Officials said a female wearing an explosive belt killed at least 54 pilgrims and wounded at least 122 others who were on a pilgrimage to the holy city of Karbala. **More at WSJ.com/World.**

White House budget

President Obama proposed a $3.8 trillion budget, adding fuel to the debate over the size of government. **Page 9.**

Singapore expects less economic growth

By Patrick Barta And Sam Holmes

A rising number of Singaporean business and political leaders expect economic growth to slow significantly over the next decade as the country adjusts to being a rich, developed nation, signaling a possible end to Singapore's multidecade run as one of the fastest-growing economies in the world.

The latest subdued forecast came Monday, when a group of government and corporate leaders headed by Singapore's finance minister said the country would struggle to achieve 5% growth over the next decade.

Their projections, in a report on the future of Singapore's economy, are below past rates of growth, which averaged slightly above 8% between 1960 and 2000. Expansion surpassed 7% for several years before the recent global financial crisis, buoying hopes that Singapore would continue to maintain emerging-market growth rates for years.

"We cannot grow at the same rate that we achieved in the last decade," Finance Minister Tharman Shanmugaratnam said.

The forecast echoed comments last week by Prime Minister Lee Hsien Loong, who predicted in a speech that 5% growth would be hard to sustain. "I think 5% will be a stretch," he said.

Slower growth isn't easily accepted in Singapore, which prides itself on having one of the most dynamic economies in Asia. It has consistently outperformed expectations in large part by positioning itself as a haven for investors and multinationals seeking a big presence in Asia but worried about unpredictable laws and unstable governments in less-developed neighboring countries.

Maintaining rapid growth also is seen as key to making sure an already-wide gap between rich and poor doesn't get worse in Singapore and possibly lead to social unrest.

Singapore's leaders have become more cautious about

Please turn to page 22

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What's News—

* * *

Business & Finance

■ **The U.S. factory sector** booked its best performance in more than five years in January, amid a rebound in hiring and rising price pressures. Separately, U.S. consumer spending was tepid in December, up just 0.2% despite rising income levels. **3**

■ **Japan Airlines' new president** said the carrier could decide by midmonth whether to partner with Delta or AMR. **23**

■ **Germany is considering** buying Swiss bank-account data from an informant and will use as precedent a 2008 incident in which the country bought data on potential tax evaders from accounts at a Liechtenstein bank. **8**

■ **U.S. stocks rose** on improving manufacturing activity and better-than-expected earnings from Exxon. In Asia, Hong Kong property developers gained on hopes of strong sales. **29**

■ **China's manufacturing activity** grew at a relatively rapid clip in January and producer prices rose sharply despite Beijing's recent efforts to curb bank lending. **4**

■ **Inflationary pressures** are growing across a wide swath of Asia, raising the pressure on central banks across the region to begin tightening monetary policy. **4**

■ **Exxon's earnings fell 23%** as weak refining results overshadowed higher oil prices and improved production. **23**

■ **Amazon conceded defeat** in a dispute with Macmillan over e-book prices, putting its $9.99 pricing model at risk of extinction. **24**

■ **The deadline** for Chinese machinery maker Tengzhong to buy GM's Hummer brand was pushed back a month to the end of February as the companies await Beijing's approval of the deal. **25**

■ **Hynix creditors extended** the deadline for accepting bids for their combined 28% stake in the chip maker by two weeks to Feb. 12, sending its shares higher. **24**

■ **Thailand took steps to ease** foreign-exchange rules in a bid to boost capital outflows, including proposing the removal of the annual limit on investment and lending to affiliated firms offshore. **33**

■ **Bank of America's new CEO**, reversing years of past practice, is spending much of his time in Washington, seeking to gain a voice on legislation and avoid regulatory sparring. **33**

■ **The euro gained** against the dollar but pulled back after better-than-expected U.S. manufacturing data. **29**

Bloomberg News

Uruguayan peacekeepers control women and children lining up at a food distribution point at the national stadium in Port-au-Prince, Haiti, on Monday. The quake-hit country will need at least a decade of reconstruction, aid chiefs and donor nations warned, as homeless survivors struggle to rebuild their lives.

* * *

World-Wide

■ **A female suicide bomber** killed at least 54 Shiite pilgrims in Baghdad who were making an annual pilgrimage to the holy city of Karbala. At least 122 others were injured in the attack, the latest in a string of violence in Iraq.

■ **Militant group al Shabaab said** it will ally with al Qaeda in a drive to establish an Islamic state in Somalia and fight for Muslims across East Africa, offering a fresh test for U.S.-backed African peacekeepers struggling to defend a weak Somali government.

■ **Pakistan's military chief** offered training for Afghan soldiers amid other military contributions to the U.S.-led war effort, but expressed concern about a growing Afghan army. **6**

■ **The U.S. military resumed** urgent medical-evacuation flights for Haitian earthquake victims, after suspending them last week. Meanwhile, life for survivors took a step toward normalcy as many schools reopened.

■ **Australia projected** a sharp rise in debt levels over the next 40 years due to the mounting cost of an aging population. **4**

■ **Japan's ancient sport of sumo** was rattled by the surprise victory of a self-styled reformer to a seat on the game's governing board. **6**

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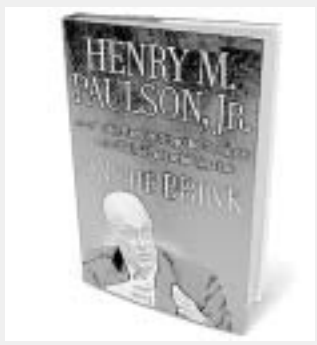

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THE WALL STREET JOURNAL ASIA
Dow Jones Publishing Company (Asia)
25/F, Central Plaza, 18 Harbour Road, Hong Kong
Tel 852-2573 7121 Fax 852-2834 5291
www.wsj-asia.com

SUBSCRIPTIONS and Address Changes, please telephone our local customer service hotline, Hong Kong/Taiwan: 852-2831 2555; Beijing: 86-10 6581 4090; Shanghai: 86-21 5836 8228; Indonesia: 62-21 344 1101; Japan: 81-3 6269-2760; Korea: 82-2 756 1695; Malaysia: 60-3 2026 4061; Philippines: 63-2 848 5873; Singapore: 65-6415 4000; Thailand: 66-2 652 0871. Or email: service@wsj-asia.com

ADVERTISING SALES worldwide through Dow Jones International. Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212 659 2176. Or email: wsja.publisher@dowjones.com

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WORLD NEWS

U.S. factories show continued gains

By Judith Burns

The U.S. factory sector booked its best performance in more than five years in January, amid a rebound in hiring and rising price pressures.

In a key report, the private research group Institute for Supply Management said Monday its index of manufacturing activity moved to 58.4 in January from 54.9 in December. It was the best reading since August 2004. Readings of more than 50 indicate growth and describe the breadth, but not magnitude, of the change. Economists had expected the index to come in at 55.3.

Separately, consumer spending was tepid in December despite rising income levels, the U.S. Commerce Department reported, suggesting consumers remained cautious at year-end. Meanwhile, construction spending tumbled.

"This month's report provides significant assurance that the manufacturing sector is in recovery," said Norbert Ore, who directs the ISM survey. He added that "13 of 18 industries reported growth, up from nine industries last month, and this is a good indication that the impact of the recovery is expanding."

Most of the report's details were positive, and supportive of the idea the manufacturing sector is continuing to recover and provide a foundation for a broader economic rebound. In the report, the group said its new-orders index hit 65.9, from December's 64.8, while the production index was 66.2, from 59.7.

Employment continued its wobbly move toward job gains, with that index at 53.3, versus 50.2 the prior month. January was the second straight month of growth and the best performance for that reading since April 2006.

Inventories shrank less slowly, with that index standing at 46.5, from 43.0. Falling inventory levels have been a major driver in spurring production as demand from consumers and businesses mends.

Meanwhile, inflationary pressures faced by factory operators grew, with the prices index at 70.0, from 61.5.

Personal income rose 0.4% in December, while personal spending rose 0.2%, the Commerce Department said. The income rise was more than expected, while spending advanced less than economists had anticipated.

Bloomberg

The Siemens Transportation Systems factory in Sacramento, Calif., in October.

A key price gauge closely watched by the U.S. Federal Reserve showed prices rose 1.5% in December compared with December 2008. The core price index for personal consumption expenditures, which excludes volatile food and energy, was up 0.1% in December compared with November. Fed policy makers watch the core PCE index closely for signs of inflation pressures.

The PCE price index including food and energy prices was up 0.1% in December compared with November and climbed 2.1% year over year.

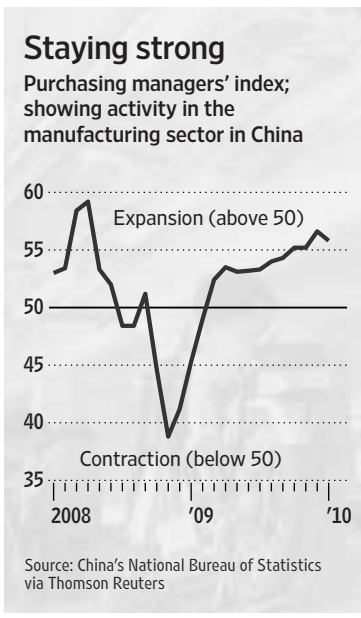
Economists surveyed by Dow Jones Newswires had forecast consumer spending and consumer income each would rise by 0.3% in December. The monthly core PCE was seen rising by 0.1%.

Construction spending declined 1.2%, at a seasonally adjusted annual rate of $902.55 billion compared with the prior month, the Commerce Department said. It was the fifth decrease in six months.

For all of 2009, spending fell 12.4% from 2008. That was the largest drop since records began in 1964. Construction spending fell in December more than expected, reflecting commercial real-estate weakness and uncertainty over a government subsidy.

Residential construction-project spending dropped 2.7% to $268.7 billion. Commercial construction fell 0.5%. Spending fell for hotels, roads and factories. In all of 2009, commercial construction was down 11.2% from 2008.

—Jeff Bater contributed to this article.



An employee assembles an electric bike at a factory in Wuhan, in central China's Hubei province.

China output keeps growing

Manufacturing indexes remain strong, despite Beijing's moves to curb bank lending

By Terence Poon

BEIJING—China's manufacturing activity grew at a relatively rapid clip in January and producer prices rose sharply, despite Beijing's recent efforts to curb booming bank lending, industry surveys showed.

The reports prompted worries that China's policy makers could further tighten money controls. China's benchmark Shanghai Composite index fell 1.6%.

The **HSBC** China manufacturing purchasing managers index rose to a record 57.4 in January from 56.1 in December, marking the fourth straight month that the index's reading has risen. Businesses reported more orders at home and abroad. A PMI level above 50 indicates growth in manufacturing from the previous month, while a reading below 50 indicates activity is falling.

A separate index, issued by the China Federation of Logistics and Purchasing and the National Bureau of Statistics, was 55.8 in January, indicating the 11th straight month of manufacturing growth. Though the index fell from 56.6 in December, it was the second-highest level since activity began to slow in May 2008 amid the global recession.

Similar indexes for other Asian countries reinforced signs of a broader the regional economy. HSBC's Taiwan purchasing managers index also rose for the 11th consecutive month, while the index for South Korea showed new orders rising at the fastest pace in 25 months. The HSBC PMI for India rose to 57.6 in January from 55.6 in December, the fastest pace in 17 months, as companies increased production to meet rising orders.

Global markets have been roiled in recent weeks by fears that the expansion in China, the world's fastest-growing major economy, could slow after government moves to curb lending in January. China's government wants the economy to expand quickly, but has become worried that excessive credit is fueling asset bubbles and could trigger inflation. At least two major banks halted lending in some branches through the end of January, and Bank of China Ltd. ordered its credit officials to stop making new yuan loans for the month, according to people familiar with the situation.

Some investors anticipated the manufacturing data would provide an early read on the impact of credit tightening. Analysts said Monday's index figures showed that investor concerns were overdone and that the economy should continue to grow robustly in the first half.

At the same time, the numbers showed growing upward pressure on prices that could reinforce official concerns about potential inflation. The companies polled for both indexes said input costs rose in January, with HSBC cautioning that input price inflation was the strongest since July 2008.

"Rising input and output prices also point to greater inflationary pressure, which will likely prompt more tightening measures in the coming months," said Hongbin Qu, HSBC's chief economist for China.

Businesses also reported receiving more export orders last month. The new-export orders subindex of the government-backed PMI rose to 53.2 in January from 52.6 in December, while the subindex in the HSBC index rose at a near-record rate.

Zhang Liqun, an analyst for the China Federation of Logistics and Purchasing, pointed to continued risks in the economy. "China's economy is at a key stage of stabilizing the economic recovery," Mr. Zhang said. "Exports' positive role in the economic growth will strengthen, but higher costs and more fierce market competition may make the development environment for companies more severe."

—Liu Li contributed to this article.

Rising prices press Asian central banks

By Michael S. Arnold

SINGAPORE—Inflationary pressures are growing across a wide swath of Asia, upping the pressure on central banks across the region to begin tightening monetary policy.

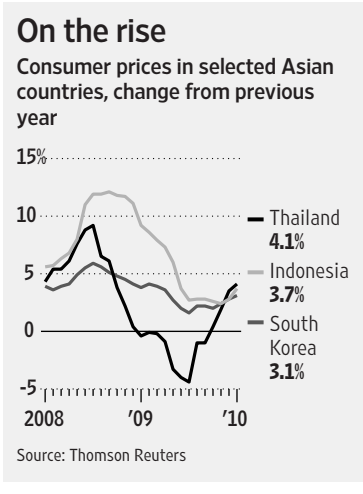
Part of the increase is due to an unusually low base of comparison a year earlier, when Asian economies were struggling through the depths of the global recession, but part is due to higher costs for a range of goods, including foodstuffs and oil, that may continue to rise.

Central banks in the region's two major emerging economies, China and India, already have begun taking preliminary steps to tighten policy in the face of rising prices and rampant bank lending.

With those two countries, and Asia in general, helping to pull the global economy out of recession, any moves to tighten policy across the region will likely raise fears that the global recovery will be set back.

Fresh price data released Monday will strengthen the calls for tightening, but aren't believed to be enough to tip the scales for any central bank not yet committed to raising rates.

On the eve of the Reserve Bank of Australia's first policy meeting of 2010, Monday's data showed Australian home prices rose 5.2% in the fourth quarter of 2009, while a private-sector gauge of inflation rose in January for the third straight month. The figures strengthened the view that the RBA, which raised the cash rate three times late last year, will raise it 0.25 percentage point Tuesday to 4%.



In Indonesia, the consumer-price index rose faster than government officials and market watchers were expecting, up 3.72% year-to-year in January compared with 2.78% in December. Core CPI, which strips out volatile food and energy costs, was up 4.43% year-to-year, compared with 4.28% a month earlier.

Analysts say the rise probably isn't steep enough to force Bank Indonesia's hand when its governors meet Thursday—nine economists polled by Dow Jones Newswires all predicted that the bank will hold rates at 6.50%—but it will keep the central bank under pressure to tighten going forward.

Goldman Sachs economists predicted that Bank Indonesia will likely start raising borrowing costs in June, and will add one percentage point to its key rate by the end of the year.

"We believe the central bank would still need to be pre-emptive in anchoring inflation expectations," Goldman wrote in a research note.

Thai prices rose for a fourth straight month, with CPI up 4.1% year-to-year in January compared with 3.5% in December and just 1.9% as recently as November. Core CPI was up 0.6% year-to-year.

The rise was above expectations but is unlikely to lead to any policy change before the Bank of Thailand's next scheduled meeting in early March. In any case, analysts said the data may be outweighed by political tensions that constrain the BOT's freedom to maneuver.

"I think we won't see the BOT in any hurry to hike its policy rate given ongoing concerns about renewed political stability," said Usara Wilaipich, a senior economist at Standard Chartered. "It could undermine business and consumer sentiment and growth in the coming months."

New data also showed Korean prices rising at their fastest pace in nine months, up 3.1% year-to-year in January and 0.4% month-to-month. The comparable increases in December were 2.8% and 0.4%, respectively.

Bank of Korea Governor Lee Seongtae has said the authorities need to act sooner rather than later to tame inflation, but it isn't likely to be on his watch: His term expires next month, and the government in recent weeks has ratcheted up the pressure on the central bank to keep policy loose.

—Geoffrey Rogow in Sydney, Kanga Kong in Seoul, Reuben Carder and Farida Husna in Jakarta contributed to this article.

Australia predicts abrupt rise in its debt

By Rachel Pannett

CANBERRA—The Australian government Monday projected a sharp rise in net debt levels over the next 40 years due to the mounting cost of an aging population, in findings the administration is likely to use to political ends as it pushes election-year initiatives on health care and the environment.

The report, published by the country's Treasury department and known as the intergenerational report, projects economic growth rates, government spending and debt levels in coming decades. It projects net debt will rise to 20.2% of gross domestic product over the next 40 years. By comparison, net debt in the current cycle is expected to peak at 10% of GDP, even after accounting for the impact of the worst global recession since the 1930s.

Cost pressures associated with an aging population are expected to increase total government spending to 27.1% of GDP by the year ending in 2050 from 22.4% of GDP in the year beginning in 2015, government officials projected. Health spending alone is expected to rise over the next 40 years to 7.1% of GDP from 4% in fiscal 2009-10.

The findings are likely to be used by Australia's center-left Labor government in its fight with a conservative opposition that has so far blocked, or promised to oppose, many of Labor's key proposals. They include plans to curb the rising health care bill by tightening private health concessions for wealthy Australians, beefing up the country's Internet infrastructure and introducing a cap-and-trade program to cut greenhouse-gas emissions.

Without action to combat climate change, Australia's gross domestic product will fall by 8% by 2100, the report said.

The opposition Liberal Party dismissed many of the findings. "The fact is that as of today, people are hurting—in housing costs, in electricity, in water, in education costs," said Joe Hockey, the shadow treasurer. "And if the government isn't prepared to make true its commitments from 2007 in relation to today's costs, what are they going to do about 2050?"

The government already has one trigger it could use to call an early election if the Senate continues to oppose its legislative program. The Senate has twice rejected plans to curb greenhouse-gas emissions by at least 5% compared with turn-of-the-century levels by 2020.

The government will Tuesday introduce the legislation for a third time, in an amended version that appeared in December to have enough votes to secure its approval. Conservative support for the plan evaporated when Tony Abbott, from the Liberal Party's conservative faction, ousted the more moderate Malcolm Turnbull, who favored the government's amended climate program. Labor won control of the lower house of representatives in a 2007 election. But the balance of power in the Senate is held by the main conservative Liberal-National opposition, the environmentalist Greens and independents.

WORLD NEWS: ASIA

中国实时报
CHINAREALTIMEREPORT

The Wall Street Journal's China Real Time Report ***(http://blogs.wsj.com/chinarealtime)*** *this week looked at subjects including the Chinese imitations of* ***Google*** *Inc. and the link between Hollywood's hottest film and the controversial renaming of a Hunan mountain.*

Imitation flatters Google

China's irrepressible shanzhai, or knockoff, enthusiasts have been at it again, using imitation to pay tribute to Google. Since the U.S. company's Jan. 12 announcement that it might withdraw from the Chinese market, two knockoff Web sites have appeared in China bearing an intentionally uncanny resemblance to Google sites.

Goojje.com, a spoof of Google's Chinese site, was reportedly founded by a female college student in Guangdong and put together by a group of about 20 people around the country, according to Chinese media. Its Chinese name, whose Mandarin pronunciation is romanized as "gujie" is a pun that can be translated as either "Google's big sister" or "valley girl." (Google's Chinese name translates as "valley song," and it also sounds like "valley big brother.")

On the Goojje home page, the lettering of the logo features nearly identical font and coloring as Google's main search page, but with the addition of a blue paw-print that nods to Baidu's similar logo.

The home page features a slogan in support of the site that obviously inspired it: "When older brother stayed for older sister, sister was delighted as before." In addition to a basic search engine, Goojje includes online discussion forums, a social networking function and a Web portal. The site aims to be highly focused on building an online community, and is recruiting volunteers to help out with Web editing, site design and social network administration.

Then there's Youtubecn.com, a

ImagineChina

South Sky Pillar, site of a name-fight.

Chinese-language YouTube clone, which was created by Guangzhou-based tech geek Li Sinhe in one night, according to the Christian Science Monitor. While Mr. Li's site looks a lot like Google's YouTube.com, featuring a large number of videos from the U.S.-based site, one key difference is that it can still be accessed freely in China. The real YouTube has been blocked in China since last March.

—Sky Canaves

Mountain (name) storm

Avatar's record-breaking box-office success in China recently inspired officials in Zhangjiajie, a scenic area of Hunan province, to rename one of their mountains after the film. The craggy peak formerly known as South Sky Pillar (also known as Heaven and Earth Pillar) was rechristened "Avatar Hallelujah Mountain" at an official ceremony in the Wulingyuan national park on Jan. 25.

But while Avatar has many fans in China, the decision to rename part of a Unesco World Heritage Site after a Hollywood film hasn't been quite as popular.

The renaming triggered controversy among Internet users. According to an unscientific online survey conducted by local Web site rednet.cn, 79% of about 6,000 voters said they opposed the renaming because "there is no need change the name just because of a film."

Only 10% of respondents agreed that the renaming would to help "raise the international profile of Zhangjiajie as a tourist city."

CCTV news anchor Bai Yansong also heaped scorn on the move, saying, "it's a joke to give a name of Christian nature to a mountain in China."

Faced with the onslaught of criticism, local tourism officials tried to backpedal, or at least have it both ways. On Wednesday, Ding Yunyong, head of the local tourism bureau, said that the mountain was not renamed to honor the foreign film, but as a way of proving that Zhangjiajie's scenery was the prototype for the Avatar's distinctive floating mountains, according to local media.

Anhui's Huangshan range also claims to be the source of the Na'vi's holy mountains.

—Juliet Ye

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Reformer wins a sumo board seat

Champion Takanohana wrestles a surprise victory from incumbent in a rare contested election in ancient sport

By Yuka Hayashi

TOKYO—In a move that seemed to parallel recent victories by challengers to the political establishment, Japan's ancient sport of sumo was rattled Monday by the surprise election of a self-styled reformer to a seat on the game's powerful governing board.

Former wrestler Takanohana, whose real name is Koji Hanada, won a rare contested election for the Japan Sumo Association's 10-member body, pushing out a 62-year-old incumbent. He has served for years as head of a stable of a dozen wrestlers representing a subgroup within the association.

Prime Minister Yukio Hatoyama, whose Democratic Party of Japan won a big victory in August elections against the entrenched Liberal Democratic Party, praised Takanohana's victory, saying he let in "a new wind of change."

The selection of board members is typically a formality in which association members approve pre-selected candidates. This year, the process attracted an unusual level of attention as a facedown unfolded between Takanohana, 37 years old, and elders of the association, known for its strict adherence to seniority and rigid traditions.

Agence France-Presse/Getty Images/Jiji Press

Former sumo champion Takanohana leaves a news conference in Tokyo after his election victory on Monday.

The elders already had picked more-senior candidates to fill the 10 positions when the wrestler declared his candidacy last month. Takanohana was then banished from the subgroup, and left with six other young stable masters who sympathized with him. He wasn't banished from the association, however, and ran as an independent. Against expectations, he won the seat.

Few are more suited than Takanohana for the job of rejuvenating the stuffy sumo world. He is among the most popular sumo wrestlers in recent decades, having risen to *yokozuna,* he top rank in the sumo hierarchy, when only 22 years old, and winning the national tournament 22 times before repeated injuries forced him to retire in 2003.

He is the son of another famous wrestler and an actress, and is married to a former newscaster. He remained a celebrity after his retirement. He inherited his job as stable master from his father. Today, Takanohana sports slicked-back long hair and a flat tummy, and often discusses publicly the secrets of his diet and weight control.

"It's extremely good news that a young guy like Takanohana was elected to the board because there are so many things that need to change," Taro Akebono, a Hawaii-born former yokozuna who now does Western-style wrestling, said in a telephone interview.

Many sumo fans agree the Japanese sumo world needs a change. The sport has been jolted by scandals in recent years.

There also is soul-searching among sumo leaders about how much the national sport has come to depend on foreign wrestlers.

"We'd like to hold a solid spiritual backbone and focus on raising young wrestlers," Takanohana said when he declared his candidacy.

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Pakistan offers aid for Afghan troops

By Zahid Hussain

RAWALPINDI, Pakistan—The chief of Pakistan's army offered to provide training for Afghan soldiers amid other military contributions to the U.S.-led war effort, but expressed concern about having an army next door that could turn on its neighbor.

Gen. Ashfaq Kayani, in a rare briefing for reporters, also suggested his forces may eventually move against Taliban militants using Pakistan as a staging area to attack coalition forces in Afghanistan.

The military is the most powerful institution in Pakistan, and Gen. Kayani's comments appeared to signal the country's increased willingness to cooperate with U.S. efforts to beat back the Taliban and stabilize Afghanistan.

The offer of help in training Afghanistan's military has lately been considered by U.S. and Afghan officials, who mainly see it as a way to improve trust between the military establishments of the two countries, said U.S. Army Col. Greg Breazile, a spokesman for the North Atlantic Treaty Organization training mission in Afghanistan.

NATO's commander in Afghanistan, U.S. Army Gen. Stanley McChrystal, recently asked his deputy in charge of training Afghan forces, Lt. Gen. William Caldwell, to learn more about the offer, Col. Breazile said. Gen. Caldwell traveled to Pakistan about a month ago to consider the possibilities and will soon be making another trip along with top Afghan officers.

"There is still a lot of regional mistrust across the border, but the discussions are ongoing, and we'll see where we go," Col. Breazile said. Solving the Afghan-Pakistan border problems "is about regional cooperation more than anything."

Gen. Kayani said Pakistan would object to Afghanistan having a standing army of 250,000 men or more, arguing such a force could threaten his own country. The U.S. and its allies plan to train 171,600 Afghan soldiers by the end of October 2011. Officials say the numbers could grow in the following years.

Gen. Kayani also insisted that Pakistan couldn't accept a major role for India, its rival, in Afghanistan. While both rivals are nuclear-armed, Pakistan's military has long seen Afghanistan as providing what is known as "strategic depth"—allowing the nation some territorial cushion in case of a war with India—and is fearful of New Delhi's growing ties to the government of Afghan President Hamid Karzai.

India, and many U.S. and Afghan officials, have long suspected Pakistan clandestinely aids the Taliban in the hopes of using it as a proxy to maintain its influence in Afghanistan. Pakistan denies supporting or sheltering the Taliban.

"We want a strategic depth in Afghanistan but do not want to control it," Gen. Kayani said. "A peaceful and friendly Afghanistan can provide Pakistan a strategic depth."

—Alan Cullison in Kabul contributed to this article.

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A taxing question | In past months, Swiss bank secrecy has come under fire.

Associated Press

Authorities raid Deutsche Post's CEO Klaus Zumwinkel's house, 2008

- **1997–2002:** A bank employee at LGT Group in Liechtenstein secretly copies the account records of about 1,400 clients..
- **2001:** Swiss bank UBS agrees to provide the IRS information on taxable income earned by U.S. clients. UBS employees in the U.S. develop a strategy to circumvent the agreement, according to U.S. court records.
- **2005–2007:** The LGT employee sells the stolen bank-account records to Germany's foreign intelligence service for €4.2 million.
- **February 2008:** Based on copies of the stolen LGT data, German prosecutors in Bochum arrest Deutsche Post's then-CEO Klaus Zumwinkel on tax-evasion charges, and expand the investigation to about 450 suspected tax offenders.
- **May 2008:** U.S. prosecutors announce the indictment of a UBS employee in the U.S. on charges of aiding tax evasion; the employee agrees to cooperate with the U.S. investigation.

Reuters

The UBS logo is pictured in front of the Swiss Federal Palace, in Bern

- **February 2009:** Switzerland provides the U.S. with bank records on 250 UBS clients suspected of tax evasion in the U.S.
- **March 2009:** LGT Group announces its withdrawal from the tax-shelter business. Switzerland and Liechtenstein announce a loosening of bank secrecy laws.
- **August 2009:** Switzerland agrees to release UBS account data on 4,450 U.S. taxpayers to the U.S.
- **January 2010:** A Swiss court sets aside part of the Swiss agreement with the U.S. on release of UBS client data. Separately, a person who says they have information on about 1,500 suspected tax offenders negotiates with German tax officials, offering the information for €2.5 million.

Germany weighs buying Swiss bank data

Switzerland faces a renewed assault on its private banking system as Germany considered paying for secret Swiss account data detailing alleged tax evasion by about 1,500 German taxpayers.

German authorities familiar with the investigation said Sunday that a confidential informant offered to sell them the data for €2.5 million ($3.5 million). The authorities, who say the information was stolen from a Swiss bank, say officials examined samples of the data that proved to be authentic.

*By **David Crawford in Berlin** and **Deborah Ball in Zurich***

On Monday, Germany's finance ministry said the country is considering whether to buy the data and will use as precedent a 2008 incident in which the German intelligence service bought data on potential tax evaders from accounts at a Liechtenstein bank.

"The decision on a purchase will be in line with what the federal government and states decided in the Liechtenstein case," said Finance Ministry spokesman Michael Offer.

Asked whether the precedent meant such a purchase was likely, Mr. Offer said there remained "pertinent questions" about the data's contents and legal status.

Swiss banking is still reeling from a bruising battle last year with the U.S. over allegations regarding tax evasion by U.S. taxpayers. Many Swiss bankers worry such cases will erode client trust and lead to a flight of accounts to other countries. Under pressure from the U.S. and other nations, Switzerland recently agreed to water down its banking-secrecy laws. Yet tax evasion isn't a crime in Switzerland, and countries across Europe continue to complain that the Alpine nation is an attractive refuge for tax cheats.

A confrontation with Germany could represent Switzerland's biggest challenge thus far. Though the Swiss clash with the U.S. drew much attention, Americans with offshore accounts in Switzerland represented no more than 5% of Switzerland's $1.8 trillion offshore-banking business, according to KPMG.

German officials say the country's taxpayers have about €175 billion in Swiss bank accounts, or more than 10% of the total.

Swiss officials cautioned Germany not to acquire what Switzerland considers stolen property.

"I consider it rather insidious that a state operating under the rule of law would make use of illegal data," Swiss President Doris Leuthard said Sunday on the sidelines of the World Economic Forum. "It's a development that we cannot accept."

The Swiss Bankers Association called on Germany to return the data "and take criminal measures against the thief."

Swiss finance-ministry spokesman Roland Meier said German officials haven't yet informed their Swiss counterparts about the offered data. Mr. Meier said Switzerland is concerned about possible violations of Swiss law, including theft of bank data. Referring to a possible criminal investigation, he added, "It is a problem when illegally obtained information is introduced." Switzerland expects Germany will ask Switzerland for legal assistance based on the information, Mr. Meier said.

A finance ministry spokesman said Germany has no set policy on when it is proper to pay a reward to a provider of evidence in tax-evasion cases. He declined to comment on a specific case.

German politicians were divided over the weekend on whether to purchase the data. Volker Wissing, a member of the business-friendly Free Democratic Party and chairman of the German parliament's finance committee, said he supports the purchase if officials conclude it wouldn't violate German law.

Other politicians were more skeptical. "It would not be proper for the German government to purchase stolen property," said Michael Fuchs, deputy parliamentary party chairman and a member of Chancellor Angela Merkel's conservative Christian Democratic Union.

Germany has purchased stolen bank data for tax prosecutions in the past. In 2008, Germany's foreign intelligence service paid about €4.2 million to Heinrich Kieber, a former bank employee, to buy account files stolen from LGT Treuhand AG, a subsidiary of Liechtenstein's largest bank, **LGT Group**. An LGT spokesman and Liechtenstein banking officials say Liechtenstein-based LGT didn't violate Liechtenstein law.

The records led to the arrest in February 2008 of Klaus Zumwinkel, then-CEO of **Deutsche Post** AG. A German court subsequently gave Mr. Zumwinkel a two-year suspended sentence and fined him €1 million on tax-evasion charges.

—Patrick McGroarty in Berlin contributed to this article.

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WORLD NEWS: U.S.

Obama unveils $3.8 trillion budget

Plan includes boost in personal and business taxes, modest spending cuts, focus on jobs; politically painful choices

By Jonathan Weisman

WASHINGTON—President Barack Obama proposed a $3.8 trillion budget for fiscal 2011 that will add fuel to the debate over the size and scope of government. The plan includes big increases in personal and business taxes, modest spending cuts and increased outlays for education, defense and jobs initiatives.

In the days before Monday's release, the Obama administration has focused on proposals to cap so-called discretionary spending, roughly 17% of the total budget, as part of a plan to narrow the record $1.6 trillion gap between proposed budget outlays and tax receipts.

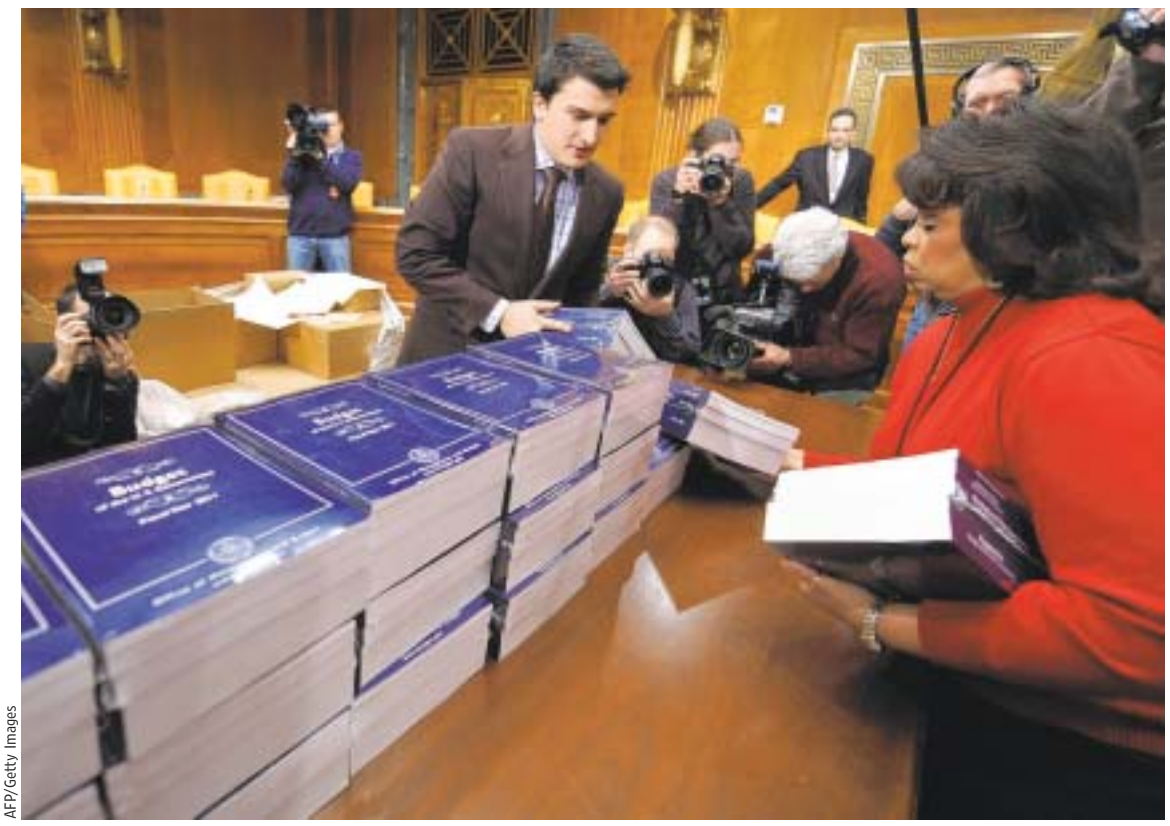
But the budget plan calls for nearly $1 trillion in tax increases on upper-income families—largely by allowing Bush tax cuts to expire. Banks, bankers and multinational corporations would face new fees and levies. And oil companies would lose $39 billion in tax breaks.

Overall, Mr. Obama's budget plan would shrink the current deficit to $727 billion, or 4.2% of the gross domestic product, by 2013. But if annual deficits shrink, the total federal debt will keep growing. In all, the president's budget would add $8.5 trillion to the federal debt through 2020, pushing the debt as a percentage of GDP to 77% from 53%.

Kenneth Rogoff, a Harvard University economist who has studied other countries' experiences, said that level could push the U.S. toward a tipping point where interest rates could soar, the value of the dollar could plunge, and the economy could face another crisis.

"We will hit a point where it comes on us very quickly, and you don't want to edge up to that point," Mr. Rogoff said. "Going beyond 80%, you're taking a real chance."

To hold the government to 77%, the president must rely on politically painful choices, including cuts to some domestic programs and large tax increases as the tax cuts of George W. Bush expire at year-end. In that sense, Mr. Obama is showing voters the choices they face to maintain the government they have.



AFP/Getty Images

The 2011 budget plan, seen here being distributed to staff, projects the deficit will shrink to $727 billion by 2013.

In his budget message, the president narrowed the sweeping message of his first budget to a single issue: jobs. "Until our businesses are hiring again and jobs are being created to replace those we have lost—until America is back at work—my administration will not rest and this recovery will not be finished," he wrote.

Under the Obama plan, the budgets of the departments of agriculture, commerce, health and human services, housing and urban development, and justice would be cut.

The two top income-tax brackets would rise to 36% and 39.6% from 33% and 35%. For families earning at least $250,000, capital-gains and dividend tax rates would rise to 20% from 15%. All total, upper-income families would face $969 billion in higher taxes from 2011 to 2020. Oil and gas companies would face $37 billion more in taxes over that stretch.

Hedge-fund and private-equity traders who now see their fees taxed as capital gains would have their income taxed at income-tax rates, at a cost of $24 billion over the decade. And multinational companies would pay an additional $122 billion on earnings overseas, a proposal Mr. Obama made last year that went nowhere amid furious business opposition.

Under the proposed budget, spending at Congress's discretion would decline, from $1.4 trillion to $1.38 trillion. But with rising interest, Social Security, Medicare and Medicaid costs, total government spending would rise by $85 billion, to $3.76 trillion.

The costs of war in Afghanistan and Iraq—budgeted as "overseas contingency operations"—are projected to increase by $46 billion over 2010-11, above expectations contained in last year's budget.

The deficit for the current fiscal year, which ends Sept. 30, would eclipse last year's $1.4 trillion deficit, in part due to a proposed jobs package, which would cost $76 billion through 2015. The president wants $25.5 billion for cash-strapped state governments, to offset their funding of the Medicaid health program for the poor.

The budget embodies Mr. Obama's larger predicament of needing to contain the deficit without harming the economy, which remains fragile.

The deficit has become a major political issue, as antigovernment activists swing independents against what they describe as Mr. Obama's big-government policies and Republicans try to regain the mantle of fiscal responsibility after the Bush years saw surpluses swing to deficits.

Republicans have said they aren't likely to cooperate with Mr. Obama on his deficit-reduction approach, opposing tax increases even as they attack Democrats for proposing cuts to Medicare.

"Over the past few weeks, President Obama has sounded ready to moderate his agenda—and has trumped his ostensible plans for fiscal discipline. Regrettably, the budget the administration today submitted to Congress is nothing more than a plan for more of the same—a very aggressive agenda of more government spending, more taxes, more deficits, and more debt—with just a few cosmetic budget maneuvers to give the illusion of restraint," said Rep. Paul Ryan of Wisconsin, the ranking Republican on the House Budget Committee.

Meanwhile, senior Democrats in Congress have expressed reluctance to cut spending with unemployment hovering at 10%.

Under the Obama budget, this year's $1.56 trillion deficit would narrow to $1.27 trillion in the fiscal year that begins Oct. 1. It would drop to $727 billion in 2013 and $706 billion in 2014, the budget projects, on the assumption that the economy recovers, tax receipts start rising again with incomes, and stimulus spending drops off. With unemployment still at 10%, the president is finding it difficult to meet his promise to halve the $1.3 trillion deficit he inherited by January 2013.

The deficit is forecast to stabilize below $800 billion between fiscal years 2015 and 2018 before beginning to widen again, according to White House projections.

Mr. Obama plans to rely on a new debt commission, created by executive order, to come up with recommendations on how to meet his promise to bring the figure down to the equivalent of 3% of GDP by 2015, according to budget analysts briefed on the proposal.

A bipartisan 18-member debt commission would forward any deficit-reduction proposals they come up with to Congress after this year's midterm elections.

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'All in all, we are growing very nicely,' says Rakuten CEO Hiroshi Mikitani.

Bloomberg News

Rakuten looks to empower merchants

Japanese e-commerce company touts benefits of its online mall

*Hiroshi Mikitani is the chairman and chief executive of **Rakuten** Inc., Japan's largest e-commerce company, which began in 1997 as online mall Rakuten Ichiba and today has grown to include businesses in banking and travel. That growing empire has made him one of the most wealthy businessmen in Japan.*

*He sat down with Geoffrey Fowler in San Francisco to discuss what makes online shopping in Japan different from the rest of the world, what it is like to compete with **Amazon.com** Inc., and his aspirations to expand Rakuten around the globe.*

WSJ: How big is e-commerce in Japan, and where is that going to head eventually?

Mr. Mikitani: We do many things in Japan, not just marketplace. We do travel, we acquired the online supermarket. We do books, CDs.

All in all, we are growing very nicely. The prices are coming down because of deflation, but still we are growing 20%. There are so many places that we can improve and accelerate our growth.

Logistics has become more important, because people want to have it the next day. People are getting more and more used to buying things from the Internet. So I think the market is just going to grow.

We don't have the accurate data in terms of how large the Japanese market is. The ministry of industry is doing that, but I don't think it is really accurate. Roughly speaking we have about a 30% market in e-commerce.

WSJ: Compared with the U.S., how comfortable are people with buying online in Japan?

Mr. Mikitani: In terms of GDP versus online sales, we are about half of the U.S. right now. [Online shopping in the U.S. is considered to be somewhere between 4% and 8% of all retail.] But we are still growing at 14% to 20% year after year, because penetration is lower.

WSJ: What makes your approach to the Japanese market different from the approach Amazon and **eBay** have taken here in the U.S.?

Mr. Mikitani: The merchant—meaning the "shop operator" or "shop master"—is very important for us. We allow our merchants to own a store in a mall.

For example, the Amazon marketplace doesn't allow the merchants the ability to interact with the end customer. In the U.S. with Amazon, the business goes merchant, Amazon and then user. We go Rakuten, merchant and then end user.

Sometimes it's a little bit noisy for some people. Some people might like the more straightforward **Wal-Mart** type—the big general store. We are like the marketplace in Europe and Japan with many, many stores. They are live and edit every day and want to communicate with their customer.

We believe that comparison shopping and convenience is important. But if you just keep competing on price, nobody is going to win.

WSJ: That is very different from the reason that investors get excited about Amazon in the U.S. Here, they compare it to Wal-Mart, and it is all about the scale and the efficiency.

Mr. Mikitani: In most cases we are much cheaper than Amazon, because we don't have our inventory. If you look at the electronics section, Amazon is cheap in products that are one or two generations old.

But our merchants have their own strengths. They are major retailers, and they can sell more cheaply than Amazon. And we charge a much lower percentage than Amazon.

WSJ: What is it like to compete with Amazon in Japan?

Mr. Mikitani: We are different. In the book and CD and DVD section we compete, because we sell CDs and DVDs and books. But our mission is how to empower our merchants.

The reason we are selling CDs and DVDs [is] because there are no other merchants who can do it for us. It is a big business so we do it on our own.

WSJ: Amazon also has been growing their own third-party marketplace. Is it stealing share away from you?

Mr. Mikitani: They don't disclose any information so we don't know. I don't think the merchants are very happy about them. Their fees are so high, and they don't give flexibility. If the product is selling well, Amazon will start selling it by themselves. It is like you are dealing with your competitors.

For fun, I say we should beat Amazon as an internal campaign. But in reality we are very different. In terms of e-commerce we are four to five times larger than them as a marketplace.

WSJ: Amazon's CEO Jeff Bezos likes to tell his investors about taking inspiration from Japanese business style, like reducing waste or "muda." How do you react to his interest in Japan?

Mr. Mikitani: I met Jeff Bezos a long time ago. It is good for the country that the Japanese terminology gets used. Thank you very much.

WSJ: What are your plans for Rakuten outside of Japan?

Mr. Mikitani: There are so many opportunities right now. The U.S. is a big market, as is China.

The U.S. is a very important market for us. We would like to eventually come to the U.S. market, but how and when, we have not really decided yet.

There are possibilities in the core shopping mall business. Eventually we are going to bring it in, but we need to be realistic with our internal human resources. We would like to come to the U.S. as fast as we can, but we have other priorities.

WSJ: Are there models for online shopping that exist in Japan that you think are missing in the U.S.?

Mr. Mikitani: Merchants like to communicate with the end user. It is not just about economics.

I don't know whether it is going to fit in the U.S. culture or not.

But what I like about going to a physical store is not only the convenience, but you can talk to the shop staff and have a chat about what to buy. We want to create the same environment on the Internet.

WSJ: You recently announced a joint venture with **Baidu**, China's leading Web search engine, to create an online shopping mall in China. What are you hoping to do with that?

Mr. Mikitani: The potential is gigantic. China's economy is definitely going to grow, and it will become the largest in the future. And more than the U.S. and more than Japan, they have not really built the strong physical retail network yet, so even more so Internet shopping has opportunity. Taobao [China's dominant e-commerce site] is very strong, but I think we will be able to catch up.

We have good expertise and technology and Baidu is going to send us traffic. We need to have a good product base, and confidence. We are going to have a much cleaner marketplace than our competitor.

We may need to do several adjustments, but we are there for the long term. It is not going to be easy.

We have a very strong business plan—but we need to execute on it.

WSJ: Some foreign Internet companies have had a great deal of difficulty in China—witness what happened to eBay or the recent problems faced by **Google**. How will you avoid that?

Mr. Mikitani: I think we are fine. We are not in the search business, which may be a little bit sensitive for the country. We are in e-commerce. That is a very important industry for them, but politically and culturally it is not that sensitive.

Obviously, it is about trust. We need to make sure that they can believe it is good for the Chinese country and good for Chinese consumers.

WSJ: You have said you want to encourage "borderless" commerce online. What does that mean?

Mr. Mikitani: We are trying a couple of merchants from the U.S., to let you buy things you cannot buy in Japan. It is going to cost you a lot to build a store in Japan.

But it is only going to cost you a very small amount to build a Web store on our platform. There should be a great opportunity for doing that.

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Easier but not easy enough

Mozilla hopes new Firefox email's improved, but at times clumsy, features catch on

The Thunderbird 3 is free and runs on Windows, Mac and Linux computers. Mozilla

By Walter S. Mossberg

PERSONAL TECHNOLOGY

The good thing about open-source software is that it harnesses the talents of techies around the world. The bad thing about open-source software is that it's too often geared toward such techies, not average folks. That's why there haven't been many widely popular open-source products for mass-market computer users. The shining exception is the Firefox Web browser, which is published by the nonprofit Mozilla Foundation.

Now, Mozilla is trying for another win, with a new, overhauled version of the companion email program for Firefox, called Thunderbird. Unlike Firefox, Thunderbird never really caught on, partly because it was too complicated. The foundation has spent two years streamlining, simplifying and automating the email program. The result is the newly released Thunderbird 3, which will compete with products such as **Microsoft** Outlook on Windows and **Apple** Mail on the Mac.

While many people these days are content to store and manage all their email using Web-based interfaces provided by **Yahoo**, **Google** and others, plenty of folks still want to use local programs. These save the messages to their own hard disks, include oodles of customized features, and can be more easily used offline.

But the choices among such local email programs are dwindling. Outlook, which can be bloated and slow for consumers, has driven out many competitors on Windows, and the new Windows 7 doesn't even come with a built-in email program. On the Mac, most people seem to use Apple's very good built-in email program, Apple Mail, but it's hard for third parties to customize.

So, can Thunderbird 3, which is free and runs on Windows, Mac and Linux computers, become the Firefox of email, the go-to choice for average users looking for an alternative to the big guys?

After testing the new edition for about a week, I believe that Thunderbird 3 is a significant improvement over earlier versions of the product. It is indeed a step forward, with some interesting new features and generally simpler operation. But, in my view, all the techie rough edges still haven't been sanded off and it's still clumsy in a few places.

First, the pluses. Mozilla has brought tabs, now standard in Web browsers, to Thunderbird. If you simply double click on an email in a list, it opens in its own tab. That way you can consult key emails when you need them without opening a welter of overlapping windows. If you do a search, the search results appear in their own tab.

The new Thunderbird also has a very cool filtered search system. It not only brings up all messages containing your search term, but shows a graphical timeline of the message traffic on that search term. In a left panel next to the list of search results, it lists all the people mentioned in the messages turned up by the search—even if you weren't searching for them—and lets you further refine the results by just clicking on their names.

There is also a rapid way to add email addresses in a message header to your address book: You just click on a star icon next to the name. There also are multiple ways to view folders. With one click, you can choose to see a list of only unread folders, or favorite folders, or recent folders.

Another cool feature is an attachment reminder. If you are writing a message and you include words like "attachment," "attached," or "enclosed," Thunderbird will pop up a yellow warning at the bottom of the screen reminding you to attach a file.

But there are still too many issues for me. Thunderbird can't be set to automatically show a CC or BCC line in a new email you're composing. Every new address you add is set as a "To" address, and you must click on a drop-down menu to change it to CC or BCC—an extra step that becomes tedious quickly.

In addition, unlike in Outlook or Apple Mail, you can only have a single signature for each account. The program also doesn't support Microsoft Exchange for corporate mail, unless IT administrators make changes at their servers.

And I found that the program's preferences and settings, while improved, can still be too techie. For instance, to tell the program to display certain graphics in email, even though they can pose a security risk, you must choose an option called "mail-news.message_display.disable_remote_image." To be fair, because Thunderbird is an open-source program, it relies on third-party add-ons and extensions for some features, such as multiple signatures. But some of the add-ins I tried, like a built-in calendar that can synchronize with Google, took multiple complicated steps that would likely deter a mainstream user.

If you're looking for a new email client, the improved Thunderbird is worth a try, but it's not yet the Firefox of email.

Email mossberg@wsj.com.

After testing the new edition for about a week, I believe that Thunderbird 3 is a significant improvement over earlier versions of the product. It is indeed a step forward, with some interesting new features and generally simpler operation. But, in my view, all the techie rough edges still haven't been sanded off and it's still clumsy in a few places.

Bazaar: Manila

What they're buying at Asia's gadget emporiums

Samsung

The place Ansons, Trimona Shopping Mall, Quezon City

The goods Samsung 2View ST550 digital camera

The specs This sleek, 12.2-megapixel digital camera offers an LCD screen on the front for self-portraits and a 3.5-inch touch screen LCD on the rear. The 2View's back screen boasts 1,152k pixels—almost four times more than many cameras—and vibration and audio feedback that responds to your touch. The camera also has a Smart Gesture user interface feature allowing many camera functions to be controlled by tilting and gesturing the device. Scene recognition, face recognition—it even displays photos at a 16:9 aspect ratio to prevent warping or cropping when they're viewed on widescreen TV or computer monitor.

The price 21,990 pesos ($473)

The deal The salesman said the camera is selling well, and drew strong interest during the Christmas season. While the price is fixed, according to the salesman, a quick online search by Bazaar found the same compact camera being sold brand new at www.sulit.com.ph for as little as 13,000 pesos. —Cris Larano

Anwar's Second Sodomy Trial

More than a decade after he was beaten, tried and jailed, opposition leader Anwar Ibrahim will once again face a Kuala Lumpur court today on charges of sodomy. The accusations are highly dubious and raise a serious question: Is this moderate Muslim democracy becoming a nation with no real rule of law?

The circumstances surrounding Mr. Anwar's prosecution are suspiciously familiar to most Malaysians. In 1998, he was arrested as he was mounting serious arguments against the increasingly erratic government of United Malays National Organization chief Mahathir Mohamed. On a nearby page, Mr. Anwar's former aide Munawar Anees describes being tortured and forced to confess to sodomy, a criminal offense in Malaysia. Mr. Anwar was convicted of sodomy and abuse of power and served six years in jail before the sodomy ruling was overturned in 2004. He was allowed to run for political office again in 2008, which he did, in earnest.

Mr. Anwar was arrested again in July 2008, a day after participating in his first nationally televised debate in more than a decade—an event that showcased his political skills and highlighted the growing momentum behind his three-party opposition coalition. He was accused of sodomy with a 23-year-old former aide, Saiful Bukhari Azlan. Mr. Saiful was taken into protective police custody after he made his allegation and has since rarely been seen in public. The government denies any political motivation for the charges. Mr. Saiful himself has not been charged.

> Malaysia itself, not the opposition leader, is in the dock.

As in 1998, the evidence in this case is thin at best. The police made a show of arresting Mr. Anwar, put him in jail for a night, and forced him to undergo a humiliating medical "examination." The government then passed a bill in parliament to give the police expanded powers to collect DNA in criminal cases. Mr. Anwar's lawyers claim they have a hospital report that shows no sodomy occurred.

Anwar Ibrahim

Also troubling is the public involvement of Prime Minister Najib Razak, who was deputy leader at the time of Mr. Anwar's 2008 arrest—and the man most politically threatened by Mr. Anwar's popularity. Mr. Najib acknowledged that he was photographed with and spoke to Mr. Saiful after he was allegedly sodomized and before he went to the hospital for tests. Mr. Najib says he didn't influence Mr. Saiful's decision to press charges. Mr. Saiful couldn't be reached for comment.

This story would sound familiar in a tinpot dictatorship. But Malaysia isn't one. Along with Indonesia, it forms the backbone of the 10-member Association of Southeast Asian Nations. Its citizens today have far more access to news and information through the Internet than they did 12 years ago. They also have the power to vote.

And that may be the mechanism that keeps Malaysia free and honest. Ordinary citizens—including the majority ethnic Malays—increasingly support Mr. Anwar's secular platform of religious tolerance, economic liberty and modernization. The opposition won five of 13 states in national elections in 2008, and it has since won seven of nine by-elections. Mr. Anwar was re-elected to parliament in a by-election the month after his arrest in 2008. There will likely be protests in front of the courthouse to show support for him.

The trial that begins today threatens domestic political unrest and undermines confidence, at home and around the world, in Malaysia's rule of law.

Hong Kong and the Falun Gong Drama

In New York last month to promote the West Kowloon Cultural District development, Hong Kong Chief Secretary Henry Tang declared that the territory was poised to become "Asia's cultural hub." Earlier this week, Hong Kongers got a taste of the kind of "culture" they can expect.

Sunday was to be the triumphant closing of New York-based Shen Yun Performing Arts' seven-show, sold-out Hong Kong tour. Instead, the curtains at Lyric Theatre remained closed. Just two days before the company was to embark on its trip, six "core production team members" were denied work visas, including the stage manager and a lighting engineer.

The Hong Kong Immigration Department has remained silent on the matter, saying only that it doesn't comment on individual cases. But according to Shen Yun officials, government authorities felt that these crew members were locally replaceable. So much for pro-competition policies. Shen Yun promptly refused the advice and, in a show of defiant solidarity, instead canceled the tour.

Since then, Shen Yun and its Hong Kong co-organizers have staged protests and press conferences, and are even mulling a lawsuit. They say the visa matter was just "a pretext"—the implication being that the decision came from Beijing, motivated by a condemnation of Shen Yun's dance program, which includes depictions of traditional Chinese tales but also "events in present-day China, such as the story of Falun Gong."

In fact, "the story of Falun Gong" is central to Shen Yun's mission. Based in upstate New York, the company shares an address with the Fei Tian Academy of the Arts, a high school based on "the guiding principles of Falun Dafa"—another name for Falun Gong. More than 70% of the dancers listed on Shen Yun's Web site are graduates of Fei Tian.

The group performs regularly in the U.S. and Canada and has toured around the world, including Japan, Korea and Taiwan, but has never danced in Hong Kong. This was the company's first opportunity to bring their show to China's doorstep, and it appears the Chinese government balked. Asked company manager and choreographer Vina Lee, "Is our show really scaring somebody?"

But this isn't about a dance show. And we don't have to be fans of Shen Yun or advocates of Falun Gong to find this troubling. Hong Kong's ambition to become a cultural center is commendable, but one of the keystones to a vibrant arts community is the freedom to express its creativity, even at the risk of provoking the sensitivities of the politicians among the audience. The Shen Yun case suggests that Hong Kong still lacks the capacity to resist political pressures from Beijing. And this drama may just be the opening act.

Tony Blair's Iraq Statesmanship

The British media are outraged that Tony Blair still does not regret toppling Saddam Hussein. Pundits from left and right are aghast that the former premier, testifying at yet another Iraq war inquiry on Friday, offered no apology for his role in deposing a man who had repeatedly invaded his neighbors and massacred his own people by the hundreds of thousands.

We're not sure what real purpose the so-called Chilcot Commission—named for its chairman, retired civil servant John Chilcot—is supposed to serve. Ostensibly, its remit is to examine how the decision to invade Iraq was made and consider the lessons learned, rather than the merits of deposing Saddam. But as with the previous two inquiries into the war, it is also political theater designed to shame Mr. Blair and other policy makers who allied Britain with America in March 2003. Judging from his six hours of testimony, it failed to achieve its end.

Instead, Mr. Blair offered a ringing defense of the decision to invade Iraq, and a very different set of lessons for the present. "This isn't about a lie, or a conspiracy, or a deceit, or a deception. It is a decision," Mr. Blair told a packed room that included relatives of soldiers killed in Iraq. "And the decision I had to take was, given [Saddam's] history, given his use of chemical weapons, given the over one million people whose deaths he had caused, given 10 years of breaking U.N. resolutions, could we take the risk of this man reconstituting his weapons program?"

> The former PM reminds the world why Saddam had to go.

That's a point worth remembering over all the Monday-morning recriminations about "dodgy dossiers" and missing WMD. We have never for a moment believed that the British or U.S. governments deliberately misled their publics over what they thought they knew about Saddam's weapons. Every Western country, including those opposed to the war, believed Saddam had WMD.

But the important point was never so much about what Saddam did or did not possess so much as it was about what he intended. And as Mr. Blair pointed out Friday, "What we now know is that he [Saddam] retained the intent and the intellectual know-how to restart a nuclear and a chemical weapons program when the inspectors were out and the sanctions changed, which they were going to do. . . .

"Today we would be facing a situation where Iraq was competing with Iran, competing both on nuclear weapons capability and competing more importantly perhaps than anything else . . . in respect of support of terrorist groups. . . . If I am asked whether I believe we are safer, more secure, that Iraq is better, that our own security is better, with Saddam and his two sons out of office and out of power, I believe indeed we are."

Mr. Blair was no less clear-eyed about the threat posed today by Iran and its nuclear program, against which he counseled that the international community had to take a "very hard, tough line." Iranian interference was a large reason why the Iraq war "very nearly" failed. Iran remains a sponsor of terrorism and a cause of instability from Afghanistan to Lebanon. The lesson from the Iraq war isn't to avoid action for fear of unanticipated consequences, which are inevitable in any war. It is to take action to prevent the most foreseeable of disasters, namely the combination, in a single regime, of fanaticism, links to terrorism and nuclear weapons.

"The decision I took—and frankly would take again—was, if there was any possibility that he [Saddam] could develop weapons of mass destruction, we would stop him," Mr. Blair told the commission. Listening to him, we are reminded why he ranks with Margaret Thatcher as a pre-eminent statesman of postwar British politics, an achievement unlikely to be matched by the Lilliputians who seek to embarrass him.

OPINION

China Won't Be a 'Responsible Stakeholder'

By John Lee

President Barack Obama, the world's most powerful person, spent much of 2009 attempting to charm, accommodate and appease the world's second-most powerful person—Chinese President Hu Jintao. In return, on issues ranging from the revaluation of the Chinese currency to North Korea, Iran, climate change and human rights, China ignored, rebuffed or even rebuked American requests and advances. Yet even if Republicans and many members of Congress are correct that being too soft on China is part of President Obama's problem, the reverse—getting tougher—is not a complete solution.

As Mr. Obama heads into 2010 determined to prove that he has the mettle to complement his charm, he needs to solve a much deeper problem. The much lauded and still authoritative framework enunciated by former Deputy Secretary of State and current World Bank President Robert Zoellick to help China rise as a "responsible stakeholder" within the United States-led international system is failing. The success of America's future China policy depends on Mr. Obama (or the person who replaces him in 2012) having the courage and creativity to construct a new approach.

Mr. Zoellick's framework argues that the best way to "manage" the rise of China is to offer it a stake in the existing international system within which China benefits. China is thus encouraged to be a status quo power within a U.S.-led regional and global order. This is a clever advance from old-fashioned containment or appeasement strategies. But the limitations and weaknesses of the responsible stakeholder framework mean China will be less accommodating and more defiant as time passes.

First, Washington erroneously assumes it can shape Chinese goals and purposes. The "responsible framework" merely shapes the means by which Beijing conducts its foreign policy. Although encouraging China to be a responsible stakeholder is seen by the U.S. as the end-game and ultimate purpose of a constructive China policy, internal debates within China reveal that Beijing simply sees behaving as a responsible stakeholder as a transient strategy to bide its time while it builds what it terms Chinese "comprehensive national power."

Second, the responsible stakeholder approach is designed to entrench China as a status quo power because it has been allowed to benefit from the current system. For example, China benefits enormously from the U.S. naval role in the South China Sea, which creates helpful conditions for trade and commerce to thrive by protecting trade routes. Yet while the U.S. devotes ships, men and money to these efforts, China benefits as a security free-rider in the region instead of a trusted contributor. China has not become an entrenched stakeholder within the U.S.-led region. Indeed, its disruptive claims to over four-fifths of the South China Sea have only intensified rather than faded as it continues to rise within the existing order.

AP Photo

Reaching for the impossible

Third, the approach assumes there is no alternative for emerging states but to compete *within* the existing open and liberal order. The responsible stakeholder framework does not account for the fact that rising participants—especially genuinely powerful ones—can seek to gradually dismantle and redesign the current order from within. Note Beijing's attempts to create an alternative order in Central Asia and Africa. Already, subversion and "winning without fighting," rather than confrontation and contest, is the preferred Chinese strategy for facing both the U.S. and the current regional order in Asia-Pacific.

Fourth, the responsible stakeholder framework also assumes that Chinese interests and ambitions are elastic and can be molded according to the circumstances of China's rise. This argument ignores compelling historical and contemporary evidence that China is predisposed to seek leadership of Asia and to recast the regional order according to its preferences. After all, regaining its paramount place in the region is inextricable from reversing what Chinese history books describe as 150 years of humiliation at the hands of Western and Japanese powers.

Finally, encouraging China to be a responsible stakeholder places enormous faith in a strong liberal line of thinking. The argument is that as China becomes more integrated into the existing security, economic and diplomatic order, it will take bigger steps toward political reform and democratization. But the structure of China's political economy means that its economic rise has disproportionately increased the wealth and resources of the state, enhancing Beijing's capacity to resist domestic and external pressure for change.

The U.S.-China bilateral relationship is the most important one in the world. But the flaws in the relationship model constructed by Washington are becoming more apparent. The next generation of China's leaders, due to assume power in 2012, are already talking about the next phase of an increasingly bipolar world. We should hope that the U.S. President who takes office 2013 will also be prepared.

Mr. Lee is a foreign-policy fellow at the Centre for Independent Studies in Sydney, a visiting scholar at the Hudson Institute in Washington and the author of "Will China Fail?" (CIS, 2007).

Plenty of Blame To Go Around

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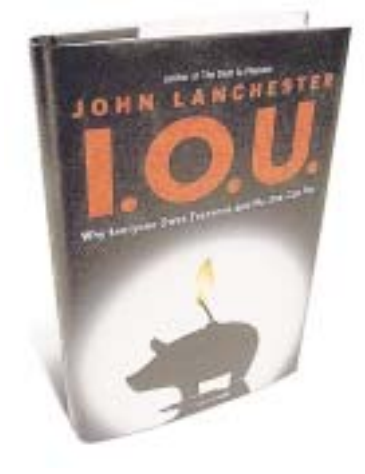

I.O.U.
By John Lanchester
(Simon & Schuster, 260 pages, $25)

By Edward Chancellor

The bursting of every speculative mania has invariably been followed by the search for scapegoats. After the Mississippi Scheme collapsed in 1720, share certificates in the Compagnie des Indes were publicly incinerated in Paris. When the contemporaneous South Sea bubble imploded, leading members of the government were sent to the Tower of London, and profiteers were forced by an extraordinary retroactive Act of Parliament to disgorge their ill-gotten gains.

Over the past couple of years, there has been a frantic search to identify those responsible the recent financial collapse. British novelist John Lanchester joined the hunt with a number of essays for the London Review of Books that provide the groundwork for "I.O.U.: Why Everyone Owes Everyone and No One Can Pay." His list of culprits is reminiscent of the denouement of Agatha Christie's "Murder on the Orient Express." No single individual or institution murdered the credit system. Everyone turns out to be guilty.

At the head of the culprit list are, unsurprisingly, the bankers. Most inglorious among them is Fred "the Shred" Goodwin, former chief of the venerable Royal Bank of Scotland, who grew his bank to the point where its balance sheet exceeded the size of Britain's national income. If the government had not bailed out RBS in October 2008, it's likely that ATMs would have stopped disgorging cash and checks wouldn't have cleared.

Why did the bankers lend so wildly? Mr. Lanchester, whose father worked for that once staid colonial enterprise, the Hong Kong & Shanghai Banking Corp., observes that banking is, or at least should be, a rather a simple business. Bankers ought to know whom they are lending to and build in a margin of safety against the risk of default.

But modern finance changed the game. Financial innovation allowed loans to be passed on with no individual or institution concerned for their repayment. Risk assessment was no longer a matter of personal judgment but instead the burden of mathematical models. But the models, Mr. Lanchester says, were "philosophically flawed." They determined, for instance, that a sudden national collapse in American housing prices was a near-impossibility.

The weaknesses of quantitative risk models have been well known for years. In 2007, the Royal Bank's own chief risk officer even wrote a powerful critique of the value-at-risk models used to gauge banking exposures. Yet bankers persisted in using their faulty models because they generated profits, in the short run at least. Given over to a collective bout of wishful thinking, the bankers ignored the numerous "funny smells" emanating from the financial system.

Mr. Lanchester compares the shift in finance over recent decades to the rise of modernism in the arts. It constituted a "break with common sense, a turn towards self-referentiality and abstraction, and notions that couldn't be displayed in workaday English." Finance had become as rotten as modern literary criticism. The bookish Mr. Lanchester senses a "weird familiarity about the current crisis: value, in the realm of finance capital, parallels the elusive nature of meaning in deconstructionism."

Other villains of the piece include "Maestro" Alan Greenspan, the longtime chairman of the Federal Reserve, for keeping interest rates too low after the tech bubble burst in 2000; credit-ratings agencies for their flawed ratings; regulators for failing to regulate; and academic economists for failing to warn of impending troubles. Mr. Lanchester cites an American university provost who complains of having "an entire department of economists who can provide a brilliant ex post facto explanation of what happened—and not a single one of them saw it coming." The dominant paradigm of efficient markets and rational expectations had left them intellectually disinclined and theoretically ill-equipped to predict a catastrophe.

Mr. Lanchester claims that the "ideological hegemony" of capitalism after the fall of the Soviet Union became a source of weakness. There was simply too little skepticism about dubious financial practices. Politicians everywhere now lead the jeering mob against the wretched "banksters," but during the boom years politicians were fellow travelers. In the U.S., legislators pushed the mortgage behemoths Fannie Mae and Freddie Mac into subprime lending because increasing homeownership among the poor was seen as politically desirable.

The authorities relaxed banking regulations because the endless flow of credit was popular with their constituents. No wonder Mr. Greenspan was the most lauded central banker in history. Never mind that average incomes had stagnated for decades. People could always borrow. It was pleasant to acquire a home without having saved any money and consume beyond one's income. Innovative mortgages, Mr. Lanchester writes, "came into existence because the market set out to find ways to let us fulfill our heart's deepest desire, to own property. The appetite created the products, not the other way round."

"I.O.U." is not without its faults. Mr. Lanchester sometimes adopts an overly sneering tone toward the wretched financiers. His potted history of finance—from double-entry bookkeeping to the credit default swap—will satisfy only those who are new to the subject. There are also a few niggling errors. It's wrong to say, for instance, that low interest rates in the past decade were bad for the bond market; in fact, declining yields created a strong bond market, setting the stage for the credit bubble. And although he was a keen exponent, Ben Bernanke didn't come up with the idea of "the Great Moderation"—the claim that rising debt levels were justified by a more benign economic cycle. Still, "I.O.U." provides a fine introduction to the latest financial frenzy, with a suitable degree of outrage. Ultimately Mr. Lanchester directs the vengeful public's gaze upon its own activities. After all, but for the madness of crowds, there would be no manias.

Mr. Chancellor is the author of "Devil Take the Hindmost: A History of Financial Speculation."

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OPINION

The Price I Paid for Malaysian 'Justice'

By Munawar A. Anees

Nearly 12 years ago, I was languishing in a local hospital as a prisoner of conscience. This loss of freedom was due solely to my long-standing personal and professional association with Anwar Ibrahim, then Deputy Prime

The last time Anwar Ibrahim was put on trial, I was tortured and forced to 'confess' to sodomy.

Minister and Finance Minister of Malaysia. We were falsely implicated in a fabricated case of having committed a mutual act of sodomy.

Such an internment, when driven by ulterior motives, brings a brutal deprivation upon the victim. It acts like a double-edged sword. While one's freedom of movement is taken away by tormentors, one's conscience suffocates in a dungeon. A poignant grief sets in once there is awareness that both the body and the conscience have fallen victim to the act of tyranny. That is what distinguishes incarceration out of an actual crime from that emanating from the acts of those who prosecute and persecute innocent others. The tormented memory never fades.

My detention by the Malaysian Special Branch taught me how it feels to be forcibly separated from one's wife and children. How it feels to be searched and seized, disallowed to make phone calls, handcuffed, blindfolded, stripped naked, driven in an animal cage, shaven bald, endlessly interrogated, humiliated, drugged, deprived of sleep, physically abused. What it's like to be threatened, blackmailed, hectored by police lawyers, brutalized to make a totally false confession, hospitalized for a consequent heart ailment, and treated as a psychiatric patient with symptoms of Stockholm syndrome. Barely surviving on a meager diet of rancid rice and chicken along with 12 medicines a day, I spent nearly 126 days handcuffed round the clock to my hospital bed, under the watchful eyes of the prison guards.

These tragic events completely ruined me and my family. The financial, physical, psychological and social implications of this calamity reverberate even more than a decade after the horrific occurrence. Words fail to describe what my family and I have quietly endured for the last 10 years. In spite of that, our faith in the ultimate victory of justice and truth has not wavered.

For the last 12 years, I have sought nothing but justice. I have repeatedly approached the Malaysian judicial system—the High Court, the Court of Appeals and the Federal Court—in the hope that justice would be duly provided to me. Unfortunately, my latest request for a review at the Federal Court was dismissed. Why does the judicial system shudder at the prospect of hearing my demand for justice? Why am I denied my day in court?

I am innocent. I am innocent of any and all spurious charges brought against me. I committed no crime for which I was tortured and unjustly imprisoned. I want the Malaysian judicial system to wake up to the fact that gross injustice was committed against me. I want them to realize that the injustice is perpetuated the more I continue to be denied my day in the court. My innocence inspires me to persist and persevere in the path of justice, as it is one of the fundamental human rights enshrined in the Constitution of Malaysia. The judicial system in Malaysia must rise to the call of duty and serve justice without any further delay.

Mr. Anees is a writer based in Tucson, Ariz.

David Gothard

The Obama Spell Is Broken

By Fouad Ajami

The curtain has come down on what can best be described as a brief un-American moment in our history. That moment began in the fall of 2008, with the great financial panic, and gave rise to the Barack Obama phenomenon.

The nation's faith in institutions and time-honored ways had cracked. In a little-known senator from Illinois millions of Americans came to see a savior who would deliver the nation out of its troubles. Gone was

Unlike this president, John Kennedy was an ironist who never fell for his own mystique.

the empiricism in political life that had marked the American temper in politics. A charismatic leader had risen in a manner akin to the way politics plays out in distressed and Third World societies.

There is nothing surprising about where Mr. Obama finds himself today. He had been made by charisma, and political magic, and has been felled by it. If his rise had been spectacular, so, too, has been his fall. The speed with which some of his devotees have turned on him—and their unwillingness to own up to what their infatuation had wrought—is nothing short of astounding. But this is the bargain Mr. Obama had made with political fortune.

He was a blank slate, and devotees projected onto him what they wanted or wished. In the manner of political redeemers who have marked—and wrecked—the politics of the Arab world and Latin America, Mr. Obama left the crowd to its most precious and volatile asset—its imagination. There was no internal coherence to the coalition that swept him to power. There was cultural "cool" and racial absolution for the white professional classes who were the first to embrace him. There was understandable racial pride on the part of the African-American community that came around to his banners after it ditched the Clinton dynasty.

The white working class had been slow to be convinced. The technocracy and elitism of Mr. Obama's campaign—indeed of his whole persona—troubled that big constituency, much more, I believe, than did his race and name. The promise of economic help, of an interventionist state that would salvage ailing industries and provide a safety net for the working poor, reconciled these voters to a candidate they viewed with a healthy measure of suspicion. He had been caught denigrating them as people "clinging to their guns and religion," but they had forgiven him.

Mr. Obama himself authored the tale of his own political crisis. He had won an election, but he took it as a plebiscite granting him a writ to remake the basic political compact of this republic.

Mr. Obama's self-regard, and his reading of his mandate, overwhelmed all restraint. The age-old American balance between a relatively small government and a larger role for the agencies of civil society was suddenly turned on its head. Speed was of the essence to the Obama team and its allies, the powerful barons in Congress. Better ram down sweeping social programs—a big liberal agenda before the people stirred to life again.

Progressives pressed for a draconian attack on the workings of our health care, and on the broader balance between the state and the marketplace. The economic stimulus, ObamaCare, the large deficits, the bailout

Martin Kozlowski

package for the automobile industry—these, and so much more, were nothing short of a fundamental assault on the givens of the American social compact.

And then there was the hubris of the man at the helm: He was everywhere, and pronounced on matters large and small. This was political death by the teleprompter.

Americans don't deify their leaders or hang on their utterances, but Mr. Obama succumbed to what the devotees said of him: He was the Awaited One. A measure of reticence could have served him. But the flight had been heady, and in the manner of Icarus, Mr. Obama flew too close to the sun.

We have had stylish presidents, none more so than JFK. But Kennedy was an ironist and never fell for his own mystique. Mr. Obama's self-regard comes without irony—he himself now owns up to the "remoteness and detachment" of his governing style. We don't have in this republic the technocratic model of the European states, where a bureaucratic elite disposes of public policy with scant regard for the popular will. Mr. Obama was smitten with his own specialness.

In this extraordinary tale of hubris undone, the Europeans—more even than the people in Islamic lands—can be assigned no small share of blame. They overdid the enthusiasm for the star who had risen in America.

It was the way in Paris and Berlin (not to forget Oslo of course) of rebuking all that played out in America since 9/11—the vigilance, the wars in Afghanistan and Iraq, the sense that America's interests and ways were threatened by a vengeful Islamism. But while the Europeans and Muslim crowds hailed him, they damned his country all the same. For his part, Mr. Obama played along, and in Ankara, Cairo, Paris and Berlin he offered penance aplenty for American ways.

But no sooner had the country recovered its poise, it drew a line for Mr. Obama. The "bluest" of states, Massachusetts, sent to Washington a senator who had behind him three decades of service in the National Guard, who proclaimed his pride in his "army values" and was unapologetic in his assertion that it was more urgent to hunt down terrorists than to provide for their legal defense.

Then the close call on Christmas Day at the hands of the Nigerian jihadist Umar Farouk Abdulmutallab demonstrated that the terrorist threat had not receded. The president did his best to recover: We are at war, he suddenly proclaimed. Nor were we in need of penance abroad. Rumors of our decline had been exaggerated. The generosity of the American response to Haiti, when compared to what India and China had provided, was a stark reminder that this remains an exceptional nation that needs no apologies in distant lands.

* * *

A historical hallmark of "isms" and charismatic movements is to dig deeper when they falter—to insist that the "thing" itself, whether it be Peronism, or socialism, etc., had not been tried but that the leader had been undone by forces that hemmed him in.

It is true to this history that countless voices on the left now want Obama to be Obama. The economic stimulus, the true believers say, had not gone astray, it only needed to be larger; the popular revolt against ObamaCare would subside if and when a new system was put in place.

There had been that magical moment—the campaign of 2008—and the true believers want to return to it. But reality is merciless. The spell is broken.

Mr. Ajami, a professor at Johns Hopkins School of Advanced International Studies and a senior fellow at Stanford University's Hoover Institution, is the author of "The Foreigner's Gift" (Free Press, 2007).

NEWSMAKER

Two days that upended Wall Street

Treasury Secretary Henry Paulson's new book details tense hours leading up to Lehman Brothers' bankruptcy

By Henry M. Paulson Jr.

The following account of the tense 48 hours preceding the bankruptcy of Lehman Brothers is excerpted from former Treasury Secretary Hank Paulson's new book, "On the Brink."

Saturday, September 13, 2008

Early Saturday morning, I left the Waldorf-Astoria Hotel in Midtown Manhattan, climbed into a car, and sped down a deserted Park Avenue, arriving at the New York Fed just after 7 a.m.

We rode the elevator up to the 13th floor, where Tim Geithner had arranged for me to work in an office just down the hall from his own suite. I called (Bank of America CEO) Ken Lewis, who reported that after closer inspection his people now believed that Lehman's assets were in even worse shape than they had thought the previous evening. It was increasingly obvious that he didn't really want to buy Lehman.

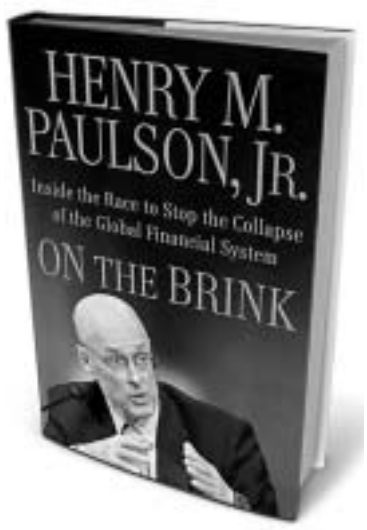
I joined Tim in his office for a conference call with Barclays at about 8 a.m. Bank Chairman Marcus Agius and CEO John Varley were on the line from London, and (President) Bob Diamond was at Barclay's midtown Manhattan offices. Varley said they were working hard on a possible deal, but had serious concerns about some of Lehman's assets, and indicated Barclays would need to leave $52 billion of them behind.

I told Varley to focus on the biggest problems first—the assets he thought were going to be the most troubled—and tell us what he needed to take care of them. If Barclays gave us its best offer that day, we believed we could deliver a private-sector consortium that would fund whatever shortfall there was. Even as we spoke, the leaders of virtually the entire banking industry were assembling downstairs at the Fed.

We were scheduled to meet the Wall Street CEOs at 9 a.m. But just before then (Lehman Chairman and CEO) Dick Fuld called. I briefed him on my unpromising conversation with Lewis and told him that it was more important than ever that he work with Barclays. He expressed great disappointment, bordering on disbelief, at BofA's findings.

Addressing the CEOs, I tried to be totally open. "We're working hard on a transaction, and we need to know where you guys stand," I said. "If there's a capital hole, the government can't fill it. So how do we get this done?"

I can only imagine what was going through their minds. These were smart, tough businessmen and they were in a difficult spot.



We were asking them to rescue one competitor by helping to finance its sale to yet another competitor.

(Morgan Stanley CEO) John Mack wanted to know why the government couldn't arrange another assisted transaction, like the Bear Stearns rescue. Tim quickly dismissed the possibility. "It's not a feasible option," he said. He made clear that the Fed could not lend against Lehman's dubious assets.

By evening the CEOs had agreed to support in principle a proposal under which Barclays would leave behind a pile of bad real-estate and private-equity investments and wipe out Lehman's preferred and common shareholders. To make the deal work, Barclays wanted the consortium of Wall Street firms to agree to loan up to $37 billion to a special purpose vehicle that would hold the assets.

I left the New York Fed before 9 p.m. optimistic about the prospects for a deal.

Anticipating another sleep-deprived night, I arrived back at the hotel exhausted. I went into the bathroom of my room and pulled out a bottle of sleeping pills I'd been given in Washington. As a Christian Scientist, I don't take medication, but that night I desperately needed rest.

I stood under the harsh bathroom lights, staring at the small pill in the palm of my hand. Then I flushed it—and the contents of the entire bottle—down the toilet. I decided I would rely on prayer, placing my trust in a Higher Power.

Sunday, September 14, 2008

I had gone to bed modestly optimistic about our chances of saving Lehman. The Barclays bid was proceeding, and Diamond had a board meeting scheduled for early that morning in London.

Tim spoke with Diamond after the Barclays board meeting, at 7:15 a.m. New York time, and Bob warned him that Barclays was having problems with its regulators. Forty-five minutes later, I joined Tim in his office to talk with Diamond and Varley, who told us that the FSA (Financial Services Authority of the U.K.) had declined to approve the deal. I could hear frustration, bordering on anger, in Diamond's voice.

We were beside ourselves. This was the first time we were hearing that the FSA might not support the deal. Barclays had assured us that they were keeping the regulators posted on the transaction. Now they were saying that they didn't understand the FSA's stance.

At 10 a.m., we met with the bank chiefs again, and I told them we had run into some regulatory issues with Barclays but were committed to working through them. The CEOs presented us with a term sheet for the deal. They had agreed to put up more than $30 billion to save their rival. If Barclays had committed to the deal, we would have had industry financing in place.

At 11 a.m., I went back upstairs, and soon got on the phone with (British Finance Minister) Alistair Darling, who wanted a report on Lehman. I told him we were stunned to learn that the FSA was refusing to approve the Barclays' transaction.

He made it clear, without a hint of apology in his voice, that there was no way Barclays would buy Lehman. He offered no specifics, other than to say that we were asking the British government to take on too big a risk, and he was not willing to have us unload our problems on the British taxpayer.

It was shortly before 1 p.m. when Tim, (Security and Exchange Commission Chairman) Chris (Cox) and I addressed the CEOs again. I was completely candid. Barclays had dropped out, and we had no buyer for Lehman.

"The British screwed us," I blurted out, more in frustration than anger. I'm sure the FSA had very good reasons for their stance, and it would have been more proper and responsible for me to have said we had been surprised and disappointed to learn of the UK regulator's decision, but I was caught up in the emotion of the moment.

Back in my temporary office on the 13th floor, a jolt of fear suddenly overcame me as I thought of what lay ahead of us. Lehman was as good as dead, and AIG's problems were spiraling out of control. With the U.S. sinking deeper into recession, the failure of a large financial institution would reverberate throughout the country—and far beyond our shores. It would take years for us to dig ourselves out from under such a disaster.

All weekend I'd been wearing my crisis armor, but now I felt my guard slipping. I knew I had to call my wife, but I didn't want to do it from the landline in my office because other people were there. So I walked around the corner to a spot near some windows. Wendy had just returned from church. I told her about Lehman's unavoidable bankruptcy and the looming problems with AIG.

"What if the system collapses?" I asked her. "Everybody is looking to me, and I don't have the answer. I am really scared."

I asked her to pray for me, and for the country, and to help me cope with this sudden onslaught of fear. She immediately quoted from the Second Book of Timothy, verse 1:7—"For God hath not given us the spirit of fear, but of power, and of love, and of a sound mind."

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'What if the system collapses?' I asked [my wife]. 'Everybody is looking to me, and I don't have the answer. I am really scared.'

Getty Images

Treasury Secretary Henry Paulson walks from the White House in September 2008.

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AEROSPACE

Civil aircraft industry sees clearer skies ahead

Despite slowdown in orders, Airbus and Boeing boost output; national export-credit agencies contribute to market resilience

In any normal industry a global downturn in customer demand would mean manufacturers cut back production and lower their prices. But civil aircraft manufacturers seem to follow different rules of supply and demand.

In the face of probably the worst crisis in its history and a collapse of orders, the world's two largest airliner manufacturers have responded by increasing production and holding their prices. This is partly due to the long lead time between orders and deliveries — up to four years — and partly due to the increasingly global nature of the business. A decline in the North American market is now partly offset by growth in other markets, such as Asia.

According to the airline industry financial outlook study for 2010 released by the Geneva-based International Air Transport Association (IATA) in December, the world's scheduled airlines will lose $5.6 billion this year, on top of the $49.1 billion loss accumulated between 2000 and 2009. While there is a fragile recovery under way, acknowledges IATA, it is vulnerable, especially if airlines are tempted to reintroduce spare capacity into the market too quickly and oil prices rise again. Despite the problems, Airbus of Toulouse, France, and Chicago-based Boeing are cautiously optimistic.

"Airbus did remarkably well in 2009 with 498 deliveries which is a company record, and there are signs of recovery in the sector with recent orders, but we're not out of the woods yet," says John Leahy, chief operating officer, customers, at Airbus. "The aviation sector is cyclical, and new orders should recover by 2012."

The world's airline community has over the past 18 months managed to find sufficient financing to keep the assembly lines at Airbus and Boeing working at full speed.

"One reason has been good backlog management by Airbus and Boeing," says Sandy Morris, aerospace analyst with London-based aviation finance company RBS Aviation. "Most of the aircraft deliveries in 2009 changed from the original schedule — the aircraft either went to a different airline or to the same airline but at a different time. But we've also enjoyed pockets of growth, even within the overall downturn. Most carriers in Asia, India and the Middle East as well as many low-cost carriers need new aircraft to cater for growth in traffic."

Orders from Asian carriers, such as the purchase by China's Chongqing Airlines of three new Airbus A319s last year, have partly offset a decline in the North American market.

AIRBUS SAS

Another reason for the resilience of the market is the increasing role played by government-backed export credit agencies such as the U.S. Export-Import Bank, Compagnie Française d'Assurance pour le Commerce Extérieur SA, Germany's Euler Hermes Kreditversicherungs AG and the U.K.'s Export Credit Guarantee Department, which have been able to step in and secure deals when private financing has proved too expensive. In 2008, export credit agencies guaranteed around 20% of the total number of aircraft financing deals around the world; in 2009 the figure was probably more than 40%, say industry analysts.

There are other factors at play. Every year the industry improves aircraft fuel-burn rates by about 1%. For low-fare carriers where sustained business growth is built on heavy cost-cutting, maximizing aircraft performance is a critical factor. While most airliners have an operating life of 25 years, these carriers normally change their aircraft every seven to nine years — after this time the maintenance bills mount rapidly.

Another incentive to buy new aircraft is that the industry has some stringent new environmental targets to meet. This will be a particular challenge for many North American full-fare carriers whose fleets tend to be older and less fuel-efficient than their Asian or European competitors. Improving fuel burn reduces the number of greenhouse gas forming emissions.

The International Civil Aviation Organization, the Montreal-based UN global aviation regulator, at its meeting on international aviation and climate change last October, agreed that the civil aviation industry will need to reduce its carbon footprint 2% a year for the next 10 years. One quick and easy way for an airline to improve its environmental performance overnight is to replace its old aircraft with new models.

"Each new aircraft generation will deliver a minimum 15% improvement in carbon dioxide and fuel efficiency," says Bill Glover, managing director environmental strategy at Boeing Commercial Airplanes in Seattle, Washington. "The new 747-8 will reduce carbon dioxide 16% and there are constant lifecycle improvements to the aircraft in service such as the 737 and 777, encompassing a wide range of engine, aerodynamic, system and structural enhancements."

"We're going beyond what governments have agreed," says Paul Steele, executive director of the Air Transport Action Group, a Geneva-based coalition of aviation associations working to mitigate the impact of aviation by setting industry-agreed targets. "We want to cap our carbon dioxide emissions from 2020 and work toward a 50% reduction in emissions by 2050 over 2005 levels. There are ambitious goals but we are we confident we can achieve them."

So the world's airliner and jet engine manufacturers are concentrating on developing aircraft technologies which will cut the fuel bill and emission rates of airliners coming into service.

> *"Most carriers in Asia, India and the Middle East as well as many low-cost carriers need new aircraft to cater for growth in traffic."*

For example, the CSeries of Canada's Bombardier and Japan's Mitsubishi regional jet will feature a new type of "geared turbofan" from Pratt & Whitney of Hartford, Connecticut, when they enter service in 2013. The new engine should deliver double-digit improvements in fuel burn over current models by using an advanced gear system enabling the engine's fan to rotate at a slow speed and the low-pressure compressor and turbine to operate at a much higher speed. This increases engine efficiency and lowers fuel consumption, emissions and noise levels.

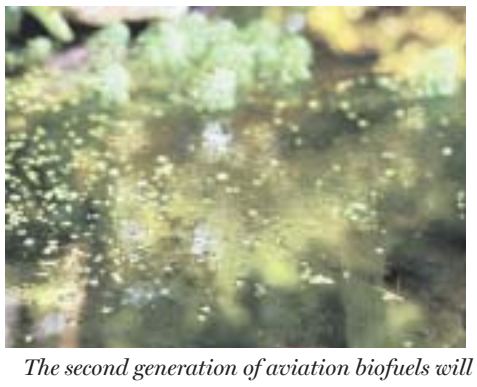
Toward the end of the decade aircraft manufacturers will be able to exploit another engine technology "step-change" — the unducted fan, or open rotor. This uses a gas turbine to drive counter-rotating high-speed propellers. Early tests suggest this could deliver 30% better fuel performance over current engine types.

Before then a second generation of aviation biofuels is due to become available based on algae, jatropha and camelina plants. These can be grown in large quantities throughout the world, in areas that do not compete with food crops such as deserts and seas.

"Biofuels of different types are expected typically to yield at least 50% carbon reduction," says Mr. Glover of Boeing Commercial Airplanes. "In some cases the carbon reduction is as much as 80%. The expectation is that we will have initial approval for these fuels next year, and that commercial availability will follow within three to five years."

IATA wants to see alternative fuels powering up to 10% of the world's airliners by 2017. The technology is now available to meet these targets — the issue is will the world's airlines make enough money to afford it?

"There are threats to the recovery from overcapacity and an oil price surge, but oil prices are fairly strong now and many airlines seem to be coping OK," says Mr. Morris of RBS Aviation. "Among the risks there are also rewards. There's renewed growth in Asia and India and stability in Europe. In North America many of the fleets there are now old, fuel-hungry and uncompetitive. If North American airlines join the party and renew their aging fleets soon, then the market will start to look buoyant again. The market is definitely on the turn."



KAMBOU SIA/AFP/Getty Images

The second generation of aviation biofuels will be based on algae and plants such as jatropha.

China leads region's drive toward an indigenous manufacturing capability

Asia-Pacific seen fueling the heaviest demand for passenger aircraft

China's aerospace industry, both civil and military, is developing at breathtaking speed, leading the country's industry to compete against its counterparts in the U.S. and Europe.

By 2017, China will put into service an advanced "fifth generation" fighter to compete with the U.S.'s front-line aircraft, the Lockheed Martin F-22, according to General He Weirong, deputy commander of the Chinese air force, speaking on Chinese television last November.

In the civil sector, Shanghai-based Commercial Aircraft Corporation of China Ltd. (Comac) announced last March it will develop the Comac C919, a 190-seat airliner to compete with the Boeing 737 and Airbus A320 by 2020.

And the China National Space Administration in Beijing is developing a global satellite navigation system called Beidou (Compass). It will have 12 satellites in orbit by 2012, providing satellite navigation capabilities throughout China. By 2020 Beidou will have grown into a constellation of 35 satellites, giving it a global capability in direct competition with the Global Positioning System which is owned and managed by the U.S. Department of Defense, though it is widely used by millions of civil users world-wide.

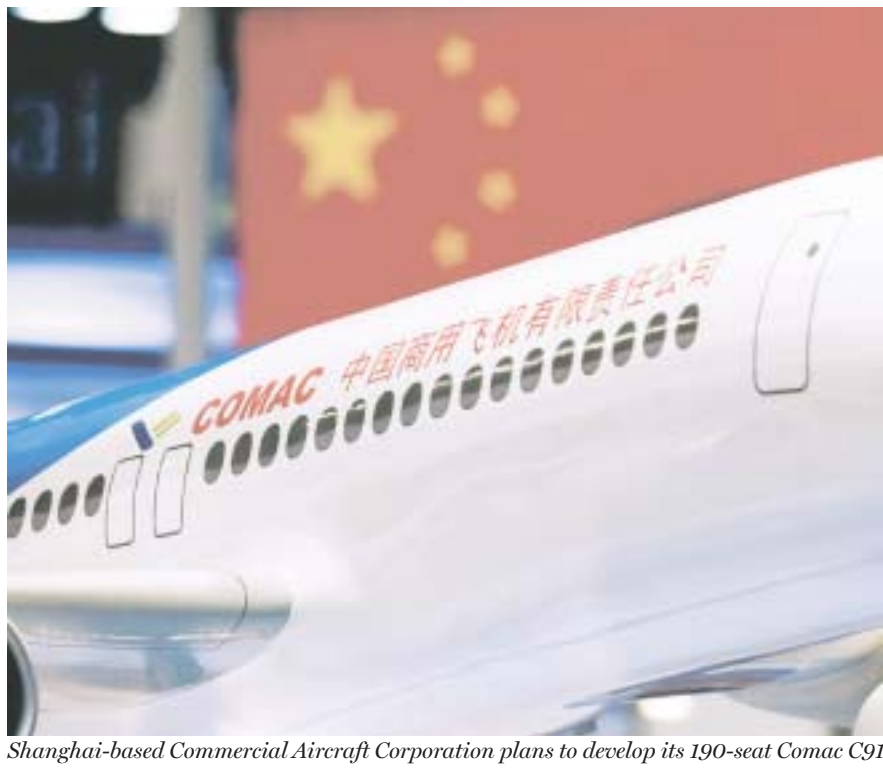
For aerospace companies in the U.S. and Europe, China now poses a challenge and an opportunity.

The technical hurdles to building an advanced fighter aircraft of the type envisaged by China are immense. These aircraft are designed to operate automatically within a global information network, using highly sophisticated airborne computers to process information on enemy movements from a network of satellites, naval and ground units, along with other airborne platforms, such as unmanned air systems. It has taken U.S. manufacturers decades to master these technologies.

"The government seems to be setting targets by looking at prestigious ideas and goals, not enabling technologies," says Richard Aboulafia, vice president, analysis, at the Teal Group in Fairfax, Virginia. "Building incredibly complicated platforms such as a fifth-generation fighter depends on a massive and sophisticated supplier base."

Key technologies for a fifth-generation fighter include an avionics system which can integrate huge amounts of data from a variety of sources and prioritize threats and targets for the pilot; an automated flight-management system which can take control of the aircraft during combat; a fire-control radar which can automatically track and engage multiple targets more than 100 nautical miles away; stealth designs and materials to reduce the radar profile of the aircraft; and an engine which can power the aircraft at high speeds yet remain very fuel efficient.

China is already making inroads into the export market with its indigenous military aerospace products. Last March, Chengdu



Shanghai-based Commercial Aircraft Corporation plans to develop its 190-seat Comac C91

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9 airliner.

Aircraft Industries announced it had sold 42 JF-17 fighters to Pakistan. The export version is being jointly developed and produced by the Pakistan Aeronautical Complex in Kamra, Pakistan. At the same time, Pakistan also ordered 36 of the more capable CAI J-10s, which entered service in China in 2004, with deliveries to start in 2014.

For aerospace companies in the U.S. and Europe, China now poses a challenge and an opportunity. Airbus's global market forecast, published in September, predicts the greatest demand for passenger aircraft will come from airlines in Asia-Pacific, with China and India being the largest engines of growth. Airlines in this region will account for 31% of the 25,000 new passenger and freighter aircraft to be delivered between 2009 and 2028. China is therefore an important civil customer for Western civil aerospace companies. Even the C919 — which will be a competitor to Airbus and Boeing airliners — will rely on Western suppliers for essential components such as the flight control system, the avionics and engines. But its new military aircraft are now competing with Western suppliers in export markets.

"China's burgeoning aviation market creates crosscurrents across the global aerospace industry and the world that we cannot ignore," says Marion C. Blakey, president and CEO of the Aerospace Industries Association, the Arlington, Virginia, trade body that represent U.S. aerospace manufacturers. "The U.S. government, with diligence from industry, can ensure that sensitive technologies are safeguarded while we continue to engage and partner with China's aviation sector. "

China is not the only country in the region with a burgeoning military aerospace capability. This year India will take delivery of its own indigenously developed Tejas Light Combat Aircraft, built by Hindustan Aeronautics Ltd. (HAL) in Bangalore. HAL's other major new project is the Light Combat Helicopter, due to enter service with the Indian Army in 2013. Another new advanced military aerospace project in the region is the Korea Helicopter Program. This program is being managed by Seoul-based Korea Aerospace Industries Co. in partnership with Eurocopter, the Franco-German company based in Marignane, France, to develop 245 transport helicopters for use by South Korea. The first flight is aimed for later this year.

AAMIR QURESHI/AFP/Getty Images

Chengdu Aircraft Industries is jointly developing the export version of the JF-17 fighter with the Pakistan Aeronautical Complex.

Although several other Asian countries have also developed front-line fighter aircraft — including Japan, Taiwan and South Korea — it is China's growing capability in aircraft systems integration that is most significant.

China's fifth-generation fighter ambitions suggest it is aiming to develop capabilities in engine and avionics technologies which so far have been the preserve of U.S. and European companies. New aircraft manufacturers from Japan to Brazil continue to rely on the West for many of the critical systems and components in their aircraft. Western manufacturers have developed more powerful, more economic, lighter but more reliable electrical and control systems which are vital for the competitiveness of any new aircraft program.

For example, Mitsubishi's 70-90-seat Regional Jet is due to fly early next year. The aircraft will be built in Nagoya, Japan, but the engines will be sourced from Pratt & Whitney in East Hartford, Connecticut, and the avionics from Rockwell Collins in Cedar Rapids, Iowa. Honda Aircraft Co. is developing a new light business jet — the HondaJet — with the first customer delivery in the fourth quarter of 2011. But the headquarters of the aircraft company is in Greensboro, North Carolina, rather than Japan.

Elsewhere in the region aerospace businesses are springing up to challenge the dominant aerospace capabilities of the West. Malaysia has spent years investing in advanced composite manufacturing, and Western manufacturers are increasingly involved in joint ventures there to tap into this expertise.

However, most Western aerospace companies are heading to China. Airbus has opened an assembly line for Airbus A320s in the Tianjin Free Trade Zone, and major manufacturers from both the U.S. and Europe have joint ventures with Chinese companies.

DIBYANGSHU SARKAR/AFP/Getty Images

This year India will take delivery of its own indigenously developed Tejas Light Combat Aircraft, built by Hindustan Aeronautics Ltd.

The text of this Special Advertising Section was written by Philip Butterworth-Hayes.

New Standards. Together

AIRBUS

ENTERTAINMENT

Reuters

Taylor Swift with her four awards, including Album of the Year.

Fairytale: Taylor Swift grabs Grammy victory

'This is the story we're going to be telling,' singer says of album win

By Christopher John Farley

Even before the 2010 Grammys began, Taylor Swift was a winner.

The 20-year-old country star picked up two awards in the pre-telecast portion of the Grammys that was streamed on **Grammy.com**.

"This is my first Grammy, guys!" said Ms. Swift, admiring her initial award.

It was only the beginning. By the time the night was over, Ms. Swift had picked up four Grammys, including one for Album of the Year for "Fearless."

Ever since the Kanye West Incident—in which the rapper interrupted her speech at the 2009 **MTV** Video Music Awards—Ms. Swift's career has gone into hyperdrive. She was successful before, but the controversy surrounding the event doubtless encouraged many listeners to take their first listen to her music—and some of them seem to have been won over as fans.

Reuters

Beyoncé performing at the Grammy awards Sunday in Los Angeles.

In February, she'll take her act to the movies, with a part in the romantic comedy "Valentine's Day." She had previously appeared in last year's "Hannah Montana: The Movie."

Ms. Swift considers herself a country singer—"I'm definitely a country artist," she told the Wall Street Journal's John Jurgensen in 2008.

But she's winning support from followers of various genres of music in part because she's a fan of different kids of music herself, and she understands what varied audiences want to hear.

"My grandmother was an opera singer," she said to Mr. Jurgensen. "Every Sunday I'd get to listen to her sing in church and watch her get up in front of people like it was nothing."

As she accepted the final honor of the night, Ms. Swift, whose latest song is titled "Today was a Fairytale," said, "This is the story all of us when we're eighty years old and we are telling the same stories over and over again to our grandkids, and they're so annoyed with us, this is the story we're going to be telling over and over again—in 2010 that we got to win album of the year at the Grammys." Long before she's an octogenarian—six decades from now—Ms. Swift will almost certainly have many more stories to tell.

Selected Grammy winners

Record of the Year
Kings of Leon: "Use Somebody"

Album of the Year
Taylor Swift: "Fearless"

Song of the Year: Beyoncé
"Single Ladies: (Put a Ring on It)"

Best Female Pop Vocal Performance
Beyoncé: "Halo"

Best Male Pop Vocal Performance
Jason Mraz: "Make It Mine"

Sundance winner is no quitter

By Michelle Kung

If "Winter's Bone" and "Animal Kingdom," the two films chosen to win dramatic grand jury prizes at the Sundance Film Festival awards ceremony Sunday, initially seem to have little in common, take a second look.

Both films feature 17-year-old protagonists that are forced to mature before their years, and help introduce audiences to secluded cultures not frequently depicted on film—Missouri's remote and meth-plagued Ozark mountains and Melbourne, Australia's underground crime gangs, respectively.

In particular, the win tops off a good week for "Animal Kingdom" director David Michôd, who spoke to us before a screening of his film late last week. (The film stars newcomer James Frecheville as the teenaged "J," who finds himself caught between his brutal relatives and the equally corrupt police.)

Having first conceived of "Animal Kingdom" nine years ago, Mr. Michôd says his finished script bears almost no resemblance to his initial draft.

Tony Mott

A scene from 'Animal Kingdom,' directed by David Michôd, one of the film winners at Sundance.

"It's funny— Every now and then I'll pick up that first draft, and it's actually bad," he said, adding that several potential early backers felt as if he had written a second film, and suggested he cut his feature directing teeth on a smaller, less ambitious project.

"I'm so grateful to the people who initially told me to keep working on it," he said. "Because if someone who was important in Australia in that regard had told me back then, 'look, it's not good,' I might have quit."

Sundance Winners for Drama

Grand Jury Prize
"Winter's Bone,"
directed by Debra Granik; written by Debra Granik and Anne Rosellini

The World Cinema Jury Prize
"Animal Kingdom,"
written and directed by David Michôd

The Audience Award
"happythankyoumoreplease,"
written and directed by Josh Radnor

The World Cinema Audience Award:
"Contracorriente" ("Undertow"),
written and directed by Javier Fuentes-Leõn

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ON OTHER FRONTS

North Korea built Senegal's African Renaissance Monument, which will be taller than the Statue of Liberty.

Associated Press

North Korea builds statues to freedom

By Christina Passariello
Dakar, Senegal

New York has the Statue of Liberty. France has the Eiffel Tower. Now Senegal is about to get the "African Renaissance"—built by North Korea.

This month, workers from **Mansudae Overseas Project Group of Companies**, a North Korean design firm, were putting the finishing touches on a giant copper sculpture of a family. Senegal President Abdoulaye Wade will inaugurate the African Renaissance Monument in April to mark the 50th anniversary of the country's independence from France, a ceremony he expects the president of North Korea's Parliament to attend.

"Only the North Koreans could build my statue," says Mr. Wade, sitting in a red velvet chair in his palace. Moreover, they offer monuments at a good rate, he says: "I had no money."

North Korea is mainly known for a totalitarian regime overseeing economic failure. But it has also produced a successful export business—building monuments to freedom and independence. The statues' selling point: They are big, simple and cheap.

Over the past decade, Mansudae has built dozens of statues and monuments for cash-strapped African countries. Botswana cut the ribbon on a memorial to three tribal chiefs in 2005. Neighboring Namibia boasts a bronze of its founding president wielding an AK-47.

The African Renaissance is Mansudae's biggest work yet, measuring 164 feet 150 meters high and crowning two barren hills in Dakar called *"Les Mamelles"* at the westernmost point of Africa. That makes it taller than either the Statue of Liberty (46 meters151 feet) or Rio de Janeiro's Christ the Redeemer (30 meters100 feet). The statue depicts a father holding a baby in his left arm. The man's right arm is around the waist of the baby's mother. The three are reaching out to the sky and out to the ocean.

"Its message is about Africa emerging from the darkness, from five centuries of slavery and two centuries of colonialism," says Mr. Wade.

Africa's rash of nationalistic monuments, statues and shrines has made Mansudae's signature aesthetic of socialist realism fashionable. In Benin, for example, a statue of a 19th-century king holds his hand up, symbolically forbidding the French to enter.

Abdoulaye Wade

President Wade

Socialist realism is popular "because people can access it easily," says Mary Jo Arnoldi, curator for African Ethnology at the Smithsonian Institution. It is easy to understand for illiterate populations, she says. "But aesthetically, it's not going to win any prizes."

In Senegal, however, the statue has been a beacon of discontent, sparking angry newspaper editorials and protests from religious leaders. The statue's sultry mother figure, dressed in a wisp of fabric that reveals part of a breast and a bare leg, has offended imams in this majority-Muslim country.

Financing details for the project have been murky, and some taxpayers are outraged by the very idea of it when power outages occur daily and university students strike over rising fees. Mr. Wade had no budget for the African Renaissance, so instead offered a prime chunk of state-owned land in exchange, which North Korea has since resold at a large profit, he says.

However, a panel near the base of the monument lists the official budget as $25 million, though foreign government officials estimate its cost at around $70 million. Mr. Wade says he plans to keep 34% of the profit from entrance fees and merchandise for a personal foundation.

The North Korean role is of less concern, though labor unions do lament that Mansudae got the job when an estimated 49% of the population is unemployed: 150 North Koreans are building the statue, helped by just 50 Senegalese. Mamadou Diouf, the head of the Confederation of Autonomous Unions of Senegal, says the project doesn't look African.

"If [building the statue] was a priority for our country, it could have been done by Senegalese workers in a manner much more in line with our values," he says.

Still, New Yorkers didn't embrace the Statue of Liberty, a gift from France, in its early days, either, says Stephen Briganti, the chief executive of the Statue of Liberty-Ellis Island Foundation. Mr. Wade asked him three times for advice on how to make money by selling small reproductions of the African Renaissance. "I cautioned him it would take time for it to become a symbol," says Mr. Briganti.

Mr. Wade fell under the spell of art when he studied in France in the 1950s. Between law classes, he strolled in the gardens of the Rodin Museum in Paris and admired the sculpture of "The Thinker."

"I'm a bit of an aesthete," says Mr. Wade, 83 years old, pointing at his office's miniature replica of the Louvre's Winged Victory of Samothrace, a marble sculpture celebrating a Greek naval battle. "I love everything that is beautiful." After Mr. Wade was elected president in 2000, he was driving by the Mamelles near Dakar's airport and had a vision of a statue of a family emerging from the volcanic hill.

Mr. Wade inquired about the French foundry that cast many of Rodin's sculptures, the Fonderie de Coubertin. But his advisers said it would be too pricey and pointed him toward the only budget option: Mansudae.

Mansudae was set up in 1959 to produce art glorifying North Korea's leaders. The company counts 1,000 artists among its 4,000 workers, and occupies a 144,000-square-yard campus in Pyongyang. The sculptors work in a warehouse and use scaffolding to reach the tops of statues, according to Pier Luigi Cecione, a curator and writer in Florence who represents Mansudae in Europe and the U.S.

Mansudae has decorated Pyongyang's metro stations with mosaics. In 1972, Mansudae built a 20-meter-high 66-foot-high statue of Kim Il-Sung, the nation's founder and "Eternal President," which now sits on a hill dominating Pyongyang. The statue established Mansudae's reputation abroad, and China, Malaysia and African nations began commissioning projects, Mr. Cecione says. In 1994, the company painted an 269-foot-long canvas, "The Year of Bitter Tears," to mourn the death of President Kim.

Mansudae remains tightly closed to outsiders, and a receptionist answering the phone in Pyongyang declined to answer any questions.

Mr. Wade demanded modifications to Mansudae's first version of the African Renaissance. "It had to have African heads, not Asian!" Mr. Wade says. The same problem had occurred with some of the statues Mansudae had made for Mali, according to his cultural advisers. Construction started during the summer of 2007, and Mansudae installed a foundry at the base of the hill from which huge copper limbs emerged.

Ahead of the April inauguration, workers were recently completing the last details. Two North Koreans, tubes of Krazy Glue at their feet, were attaching the sealing to windows inside the male figure's hat, which has a viewing level similar to the one in the Statue of Liberty's crown.

After all the criticism, Mr. Wade is now getting some compliments. He says he recently received a letter from Libyan leader Moammar Gadhafi asking how he could get a similar statue.

WSJ.com

Online today: See a video about the African Renaissance Monument at WSJ.com/PageOne

FROM PAGE ONE

Toyota launches its plan to repair faulty gas pedals

Continued from first page

tronics in its vehicles, Mr. Lentz said. He added that Toyota's investigation has made it "quite clear" that sudden acceleration problems are related either to the gas pedal or to a separate issue with the floor mats in certain vehicles.

"We know what the problem is. We have the fix," Mr. Lentz said.

Asked whether Toyota vehicles are safe, he said, "I feel comfortable having people who are close to me driving our product." He added that the "impact on sales will be minimal."

'We know what the problem is. We have the fix,' says Jim Lentz, the president and chief operating officer of the auto maker's U.S. sales arm.

Mr. Lentz said he didn't know if Toyota received reports of sudden acceleration before it started using gas pedals made by **CTS** Corp., the supplier whose pedal assemblies Toyota has linked to the sticky-accelerator problem.

The fix for the accelerator problem involves inserting a steel reinforcement bar that should reduce the friction that can cause the pedal to stick. Toyota said it has "thoroughly tested" the fix.

Bloomberg News

Toyota executive Jim Lentz, above in New York on Monday, says the auto maker is convinced the accelerator problems aren't caused by faulty electronics.

Media see trade tensions in Toyota recall

By Miho Inada

TOKYO—In the U.S., **Toyota Motor** Corp.'s massive recall and production stoppage is widely portrayed as an embarrassing stumble for a quality-proud giant.

In Japan, the tone of the press coverage of the issue has been different.

Many Japanese newspapers and magazines have portrayed the issue as the resurgence of 1980s-era trade tensions and hostility to Japanese commerce.

A headline in the Saturday issue of Toyo Keizai, a weekly business magazine, said in part, "Toyota bashing is seen, as if the past auto trade friction were reignited."

While the article described Toyota's "poor handling" of the problem and "sloppy risk management" from cost cutting, it also reviewed the broader political climate in the U.S., and included a quote from a person "familiar with the auto industry."

"After the collapse of GM, the U.S. auto industry has lost its morale," the person was quoted as saying. "Obama may also move to protect its own auto makers in order to win the midterm election in fall. One possible misstep by Toyota may lead to further 'Toyota bullying' which may be even more emotional."

The Saturday edition of the Nihon Keizai Shimbun, Japan's leading business newspaper, ran an article reporting about spreading concerns over quality of Toyota cars among U.S. consumers.

The article also mentioned what it said were signs of rising anti-Japanese sentiment in the U.S.

The newspaper noted, for example, a demonstration held Jan. 28 in front of the Japanese Embassy in Washington by United Auto Workers members who opposed the closure of Toyota's joint-venture factory with GM. They held a sign reading "Toyota is trying to hurt U.S. labor market."

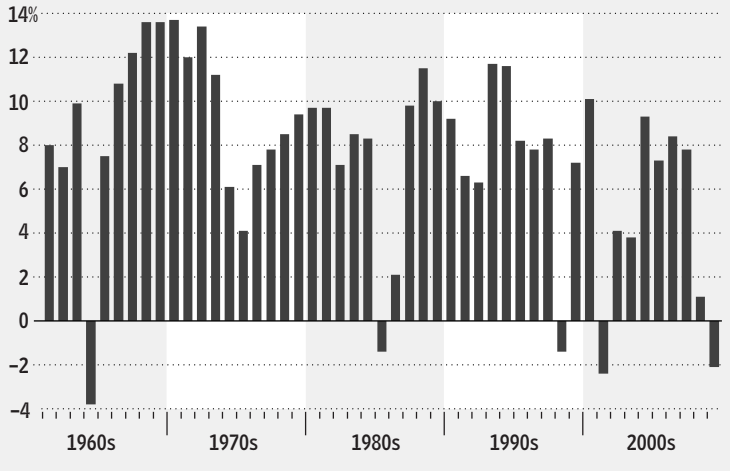
The article ended by stating, "as the midterm election is coming up in fall we cannot rule out a possibility that Toyota's quality issue is going to become a political issue."

Also on Saturday, the Sankei Shimbun newspaper ran an article stating, "Toyota's recall issue has triggered an emotional repulsion against Toyota in the U.S."

More in Singapore expect economic growth to slow down

Idling economy?

Singapore's economy is expected to slow over the next decade as it moves further into developed nation status. Singapore's annual GDP growth:



Source: Singapore Department of Statistics

Continued from first page

the outlook in the aftermath of the financial crisis. Many worry that Singapore's export-heavy economy leaves it too reliant on swings in consumer demand elsewhere, especially from places such as the U.S. and Europe that are expected to take years to fully recover from the global economic recession.

In addition, Singaporean companies have posted productivity levels that are below those in other developed countries—a problem that could translate into lower standards of living than other wealthy nations in the long run.

The report released Monday, by an economic strategy committee set up in May, aimed to address such concerns by issuing a blueprint for keeping Singapore competitive in the years ahead.

It called for tighter rules on immigration to encourage employers to boost productivity instead of relying too heavily on cheap foreign labor.

It also called for more investment in research and development and said that even growth of 3% to 5% would be better than most other advanced economies.

The idea of reining in immigration is controversial. Many Singaporean employers count on foreign workers to keep their costs low, but the report warned "we will run up against real physical and social limits" if recent high rates of immigration continue.

The committee advised raising levies on foreign workers to gradually force employers to invest in more productive operations, with a goal of achieving 2% to 3% annual productivity growth—more than double the 1% rate achieved over the past decade.

The recommendations of the committee, whose members include government ministers as well as regional representatives from Siemens and PricewaterhouseCoopers LLP, aren't binding.

The government is expected to respond to the conclusions in its 2010 budget statement due on Feb. 22.

Even with slower growth, Singapore remains in an enviable position compared with other Asian nations, in part because of its continued reputation for modern infrastructure and clean government.

"Singapore is still sitting in a pretty sweet spot as a hub for international companies serving the Asian market," said David Cohen, an economist who is with Action Economics, a consultancy in Singapore.

"I should think they should be able to ride that status" and still post growth that's faster than the U.S. and Europe," Mr. Cohen added.

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BUSINESS & FINANCE.

Tuesday, February 2, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

'Princeling' sway worth watching

[Asia Deal Journal]

By Rick Carew

HONG KONG—The children of China's top government officials have long been known for their prowess in winning business for investment banks. These days, many of these children of privilege—called "princelings" on the mainland—are making their mark in private equity.

Princelings are a sensitive subject in China, and their success is sometimes criticized in the deal world. But they could also point the way for foreign firms hoping to tap China's potential.

New Horizon Capital, a private-equity firm co-founded by Winston Wen, the son of Chinese Premier Wen Jiabao, said last week it expects to finish fund raising for its third U.S.-dollar fund in the first half of the year. A company official denied media reports that it is targeting $1 billion for the fund.

At a time when Western private-equity firms are struggling to make inroads into China, Mr. Wen's New Horizon has spent its way through much of $500 million raised in 2007. Both sellers and the fund's co-investors, which include Goldman Sachs, Hony Capital and CDH Investments, have taken comfort from the presence of a well-connected partner. New Horizon has also set up a yuan-denominated fund, taking advantage of government support for local funds.

Mr. Wen isn't the only princeling getting in on the action. Jeffrey Li, the son of former Politburo standing committee member Li Ruihuan, recently left pharmaceutical company Novartis AG after five years as its China chief to set up a private-equity fund called the **GL China Opportunities Fund**. Liu Lefei, the son of Chinese Politburo member and senior propaganda official Liu Yunshan, runs the nine billion yuan ($1.32 billion) **Citic Private Equity Funds Management** Co. (The individuals either declined to comment through intermediaries or couldn't be reached.)

In the past, many princelings have gone to work for investment banks eager to establish connections. But when it comes time to move on, many choose to strike out on their own or lead a local fund rather than partner

Please turn to page 33

Exxon's profit drops 23%

Mirroring results at rivals, weak refining overshadows higher oil prices and larger output

By Isabel Ordonez

Exxon Mobil Corp.'s fourth-quarter earnings fell 23% as weak results in its refining business overshadowed higher oil prices and improved production.

The largest U.S. oil company by market value on Monday posted profit of $6.05 billion, or $1.27 a share, down from $7.82 billion, or $1.54 a share, a year earlier.

Revenue increased 6.1% to $89.84 billion.

But the overall results echoed the theme of weak refining and marketing results that have hurt integrated oil companies, such as **Chevron** Corp. and **ConocoPhillips**. The economic downturn has weakened demand for fuels, leading some companies to announce major restructuring plans.

The loss in Exxon Mobil's domestic downstream business—which manufactures, transports and sells gasoline, diesel fuel and other refined products—broadened to $287 million from a loss of $20 million a year earlier. Profit for international refining fell to $98 million from $2.4 billion.

Production rose 1.6% to 4.19 million barrels of oil equivalent a day. Output for the full year rose 0.3% to 3.93 million barrels of oil equivalent a day. Production would have been higher were it not for quotas imposed by the Organization of Petroleum Exporting Countries, the company said.

Associated Press

An Exxon tanker truck makes a refueling stop at a company service station in Arlington, Va., on Friday.

Production was mainly boosted by natural gas coming from projects in Qatar, said Fadel Gheit, an analyst at Oppenheimer & Co.

Exxon's production was "better than our forecast of a 1% decline," UBS said in a note to clients. The investment bank projected Exxon would increase output by 13% this year, with 2.5% coming from its own global projects and about 10% from its planned $41 billion acquisition of natural-gas producer **XTO Energy** Inc.

Fourth-quarter capital-and-exploration spending rose 21% to $8.26 billion.

Exxon Mobil spent $2.4 billion on share buybacks.

JAL says choice of partner to come soon

By Mariko Sanchanta And Yoshio Takahashi

TOKYO—**Japan Airlines** Corp. could decide by midmonth whether it will select **Delta Air Lines** Inc. or rival **AMR** Corp.'s American Airlines as a partner, its new president said, but the carrier currently remains neutral on the matter.

Speaking at his first meeting with reporters since becoming president of JAL last week, the new president, Masaru Onishi, said the cash-strapped carrier was still talking over the proposals. The winning airline hopes to get access to Japan's lucrative Asian routes.

"We're talking about the alliance with people concerned within the company. It's also not a matter that can be decided by an individual," said Mr. Onishi, who began his career at JAL in 1978 as a maintenance engineer.

On Monday, the new chairman, Kazuo Inamori, speaking at his first news conference since officially taking the job, said the airline hopes to conclude talks "as early as possible."

He added that his new management team aims to restore JAL so both domestic and international flight services can grow.

Agence France-Presse/Getty Images

Kazuo Inamori, JAL's new chairman, at Monday's news conference in Tokyo.

Government officials are pushing JAL to choose Delta over American, as Delta has a more extensive trans-Pacific and Asian flight network than American, currently a JAL Oneworld Alliance partner. American argues it brings more to the table.

Mr. Inamori, the founder of technology-components maker **Kyocera** Corp., has a reputation in Japan for management savvy but lacks experience in the airline industry. That puts much of the focus on Mr. Onishi, a 54-year-old former president of a small JAL subsidiary that handles regional flights, as the airline restructures under Japan's equivalent of bankruptcy protection.

"Anyone around my age who was offered this position would question if this would be a doable job," said Mr. Onishi, who is also a marathon runner. "But when I was told to manage the company I said, 'I'm willing to do that.' I did not say, 'I'm not able to do that.' "

Mr. Onishi, who was picked for the job for his background in airline safety, says one of the most pressing tasks for the airline is to regain its financial footing and raise motivation among JAL employees.

"In order to be independent, we need to be financially strong," he said. He added, "each JAL worker needs to understand and share the plan, and work independently and flexibly around the plan rather than just follow manuals. I need to create a situation where workers find their job worth working."

Over the next three years, JAL will slash a third of its work force, or nearly 16,000 employees, streamline its aging fleet of planes and cut back its unprofitable routes.

Mr. Onishi said that JAL's old management and employees assumed that the government would never turn off the financial tap to JAL, even though it was privatized in 1987.

Pricing issues buffet e-books

Amazon gives in to Macmillan's demand on best sellers, prompted by Apple's new iPad

By Jeffrey A. Trachtenberg And Geoffrey A. Fowler

The $9.99 best seller that helped **Amazon.com** Inc. build a dominant position in the now-thriving e-book market was at risk of extinction Sunday after Amazon capitulated in a battle sparked by the launch of **Apple** Inc.'s iPad.

Amazon conceded defeat Sunday evening after halting sales of all books published by Macmillan in a dispute over higher e-book prices. Having made the $9.99 e-book a fixture, Amazon now faces the prospect of raising its prices to match new terms that Apple is offering publishers.

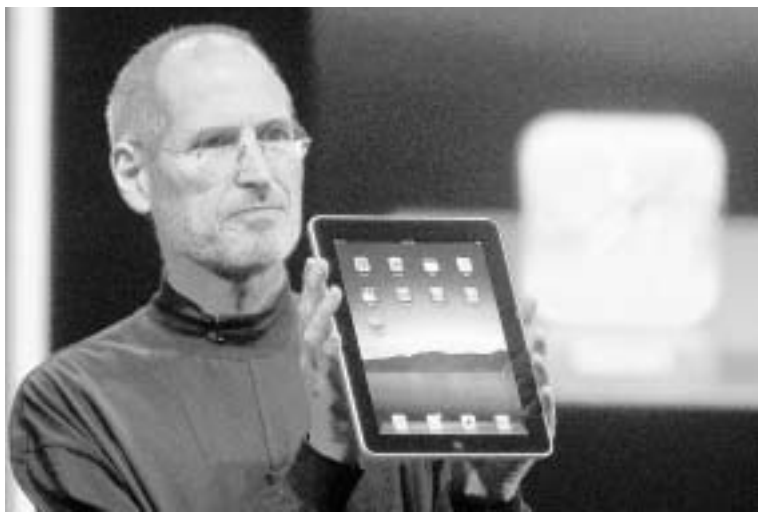
"Ultimately we will have to capitulate and accept Macmillan's terms because Macmillan has a monopoly over their own books," Amazon said. Amazon's statement suggested it would resume selling Macmillan books, but didn't offer a timeline for doing so.

Amazon's flip-flop exposes how seriously Amazon is taking Apple's challenge to its position as the market leader in e-book sales. It is the first of what is likely to be a series of upheavals as Amazon and Apple square off over the digital future of book publishing and retailing.

The picture is expected to become more complicated when **Google** Inc., the search-engine company, later this year launches its own e-bookstore, Google Editions. Google says it intends to allow publishers to set their own prices—while reserving the right to discount at its own expense.

"The future of e-books, the future of publishers' control over their own destiny, and the future of retail pricing, is being forged right before our eyes," said Richard Curtis, a New York literary agent and e-book publisher.

The issue came to the forefront after Apple unveiled the iPad last Wednesday and disclosed that five major publishers, including Macmillan, will begin selling their own e-books for the device. Publishers will set prices themselves on Apple's iBooks store and many of the new e-book best sellers are expected to be priced at $12.99 or $14.99—terms that the publishers are expected to ask Amazon to match.



After Apple CEO Steve Jobs, top, unveiled the iPad, for which e-books will cost as much as $14.99, Amazon CEO Jeff Bezos, below, gave ground with Macmillan on a pricing model that sold best sellers for $9.99 for the Kindle.

Agence France-Presse/Getty Images; Associated Press

Under the Apple model, publishers will receive 70% of each sale, or $10.49 on a $14.99 e-book. This compares unfavorably with what they were receiving from Amazon per title. However, publishers believe that Apple's customer base represents a vast new market and that they will make up the difference on volume. They also believe Amazon's $9.99 price tag doesn't reflect the true value of their books.

Whether consumers will be willing to pay more for their e-books remains to be seen. After a news conference announcing the iPad, Apple Chief Executive Steve Jobs told a Wall Street Journal columnist that "the prices will be the same" for books on the iPad as on the Kindle.

The Macmillan fracas came to light after Macmillan CEO John Sargent flew to Seattle to discuss "new terms of sales for e-books" with Amazon last Thursday, the day after the Apple announcement. By the time he returned to New York on Friday, he had been informed that Macmillan's books wouldn't be for sale on Amazon.com directly. By late Friday evening, many of Macmillan's titles had already been removed.

Mr. Sargent said late Sunday that Macmillan is now "in discussions with Amazon on how best to resolve our differences.They are now, have been, and I suspect always will be one of our most valued customers"

Macmillan, a unit of Germany's **Verlagsgruppe Georg von Holtzbrinck** GmbH, boasts such top sellers as "Wolf Hall" by Hilary Mantel. On Saturday it published "The Politician," an account of the John Edwards scandal by former Edwards aide Andrew Young that on Sunday afternoon ranked No. 1 on the best-seller list at Barnes & Noble.com, a unit of **Barnes & Noble** Inc.

Neither of those titles was available from Amazon, either in e-book or hardcover versions, over the weekend. **Kobo** Inc., a Toronto-based e-book retailer, sent out messages on Twitter promoting a page on its site titled "Can't Get These on Kindle" that features 13 Macmillan titles it sells.

"This isn't really about Macmillan. It's about Amazon fighting for its life with Apple," said Dominique Raccah, publisher of **Sourcebooks** Inc., Naperville, Ill.

In its statement, Amazon said it doesn't believe that "all of the major publishers" will follow Macmillan's position. Amazon didn't rule out others offering cut-rate prices: "We know for sure that many independent presses and self-published authors will see this as an opportunity to provide attractively priced e-books as an alternative."

The new pricing demands could have benefits for Amazon. Instead of losing several dollars on new e-book bestsellers—which Amazon was willing to do to push sales—it stands to make a profit on each title. And publishers are expected now to make their new e-books available on the same day as their hardcovers, a position Amazon has long advocated.

One publisher that signed up with Apple said it is uncertain what will happen in the next few weeks. "Conversations have only just begun," said Brian Murray, chief executive of **News Corp.**'s HarperCollins Publishers. News Corp. also owns The Wall Street Journal.

Other publishers involved with Apple, including **Pearson** PLC's Penguin Group and **Lagardere** SCA's Hachette Book Group, declined to comment.

Creditors of Hynix extend time for bidders

By Jung-Ah Lee

SEOUL—Creditors of **Hynix Semiconductor** Inc. on Monday extended the deadline for accepting bids for their combined 28% stake in the chip maker by two weeks, sending its shares higher amid speculation that the move means a buyer may have belatedly shown interest.

The extension of the deadline to Feb. 12 comes after the creditors received no bids in the second auction for their combined stake in Hynix by last Friday's deadline.

The company is the second-largest maker of memory chips by sales after **Samsung Electronics** Co., also based in South Korea.

Based on Hynix's Friday closing price, a 28% stake in the company is valued at about $3.3 billion.

One creditor, **Korea Exchange Bank**, said the creditors believe there are some companies that haven't had enough time to review the stake buyout and they expect companies to participate in the bidding now that the deadline has been extended.

"We think that the latest deadline extension came because a local company has approached for the Hynix stake in the form of a consortium with offshore financial investors," said James Song, an analyst at Daewoo Securities.

"If creditors sell the stake only to foreigners, [Hynix] could be exposed to hostile [merger-and-acquisition] deals, so a stake sale in the form of a consortium seems highly likely," Mr. Song added.

Hynix rose 1.5% Monday to close at 23,100 won ($19.93) a share, outperforming the broader market's 0.3% rise.

The first auction, which took place in November, also failed to deliver a buyer after the sole bidder, South Korean conglomerate Hyosung Corp., withdrew its offer amid concerns about funding.

This led creditors, which are now shareholders after several debt-for-equity swaps, to send out invitations again last month to seek bids from local investors.

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Corrections & Amplifications

The U.S. air strike that reportedly killed the leader of the Pakistan in Taliban, Hakimullah Mehsud, took place on Jan. 14. A World News article Monday about the possible death of Mr. Mehsud incorrectly said the air strike took place on Jan. 15.

Toyota faces high costs over recalls

Immediate expense could be $1 billion, but cost to reputation, residual car values and lawsuits are unknown

TOKYO—The immediate impact of **Toyota Motor** Corp.'s recalls and sales stoppages is estimated to cost the company around $1 billion, but the longer-term damage to the auto maker's hitherto impeccable brand could be much larger unless the world's biggest car maker acts swiftly to contain the fallout.

*By **Daisuke Wakabayashi**, **Mariko Sanchanta** And **Yoshio Takahashi***

Analysts say damage to Toyota's brand could require the company to spend considerable amounts on advertising, sales incentives and possible legal bills.

Toyota began Monday to publicly discuss consumer concerns over sudden acceleration of its vehicles, following nearly a week of silence. It took out newspaper ads explaining the situation in major U.S. markets, and the head of its U.S. sales arm, Jim Lentz, began a round of television interviews. In Japan, the company is slated to hold its first press conference on the recall on Tuesday.

"Almost every company has to deal with a recall, the issue is what you do after," said Shoichi Yoshikawa, a branding expert and managing director at public relations agency Hill & Knowlton Inc. in Tokyo. "By putting off the issue, the company's brand value steadily goes one way: down."

Automotive Lease Guide, a Santa Barbara, Calif.-based company tracking the residual value of cars and brand values, believes Toyota's perceived quality score could fall 20%, leading to a 4% drop in the residual value of its cars, if it doesn't resolve the situation quickly and without further recalls. Toyota may have to put aside more reserves if the value of autos coming off leases—residual value—declines. A fall in residual value also decreases the amount of money consumers get at trade-in or when they try to sell a used car.

Reuters

Analysts say damage to Toyota's brand could force the auto maker to spend more on advertising and sales promotions.

A drop in brand value, according to Mr. Yoshikawa, is determined through a combination of factors including sales declines and stock-price falls.

While Toyota hasn't disclosed the impact from the production and sales halt, along with related recalls in Europe and China, the company's market value has dropped 18%, or 2.55 trillion yen, ($28.2 billion) since it issued a second recall for the sudden acceleration problems on Jan. 21.

Kurt Sanger, car analyst at Deutsche Bank in Tokyo, says Toyota has halted production on about 60% of its North American manufacturing capacity and the sales stoppage of eight models could cost it up to 18,600 units of sales per week. "We think it's a 100 billion yen [$1.1 billion] problem," he said.

He estimated that the direct costs to Toyota from the recall and factory stoppage are in the 50 billion yen to 60 billion yen range. But with the indirect costs factored in, including paying for rental-car costs for customers and subsidizing dealers for inventory they can no longer sell, the total cost for Toyota could be 100 billion yen.

Those estimates don't include less tangible factors like a weaker brand image, litigation risk and possible increase in advertising expenses.

Koji Endo, an analyst at Tokyo-based research firm Advanced Research Japan, said he thinks the sales suspension could last for a month, resulting in a sales loss of about 100,000 vehicles.

Since the average gross profit on the affected models is around 700,000 yen per vehicle, Mr. Endo estimated it will cost Toyota about 70 billion yen.

A Toyota spokesman declined to comment on how much the sales and production suspension will cost the company.

As of the end of March 31, 2009, Toyota has set aside 429.2 billion yen for warranties on vehicles that it has sold, although the company says that reserve is different from cash set aside to pay for the cost of recalls.

Toyota will also likely be forced to increase its spending on advertising and sales promotion. In the previous fiscal year ended March 31, 2009, it spent 389.2 billion yen, a 20% decline year-to-year as the company scaled back spending amid the global economic downturn.

—Juro Osawa and James Simms contributed to this article.

Sale of Hummer brand to China firm is delayed

By Patricia Jiayi Ho

BEIJING—A Chinese machinery manufacturer said Monday it postponed for a month its deal to buy **General Motors** Co.'s Hummer truck brand as the companies wait for Beijing to approve the agreement.

The deal between GM and **Sichuan Tengzhong Heavy Industrial Machinery** Co. now has until the end of this month to close. The original deadline was the end of January.

"GM and Tengzhong agreed to extend the deadline," said Zhao Tong, a spokeswoman with a public-relations firm hired by the machinery maker. "Tengzhong will do its best to cooperate with the approval process."

Hummer Chief Executive Jim Taylor said in early October when the agreement was finalized that he hoped it would close within 30 days.

One of the chief challenges was to persuade Chinese regulators that Hummer can produce trucks that are more fuel efficient and environmentally friendly than its lineup at the time, Mr. Taylor said in October.

Beijing is trying to encourage the use of low-emission vehicles, offering tax breaks for the purchase of smaller cars and subsidies for fleet purchases of alternative-energy vehicles.

Hummer's lineup became synonymous with Americans' attraction to gas-guzzling sport-utility vehicles. The company is working to develop a diesel-powered Hummer to sell outside North America.

Tengzhong plans to buy the Hummer brand, trademark and intellectual-property rights.

Hummer dealers would continue to operate under the contracts they had in place with GM.

GM has sought to narrow its portfolio after the auto maker's emergence from bankruptcy protection in July.

Apart from Hummer, the company is shutting down its Pontiac and Saturn brands, and plans to sell Saab to Dutch sports-car maker **Spyker Cars** NV.

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CORPORATE NEWS

Shell, Cosan plan Brazil biofuels deal

By Jeff Fick

RIO DE JANEIRO—Brazilian sugar and ethanol group **Cosan Industria e Comercio** SA and the local unit of **Royal Dutch Shell** PLC announced plans Monday for a biofuels partnership.

Cosan entered into exclusive talks to combine its sugar, ethanol and service-station assets with Shell's fuel-distribution network. The companies now have six months to work out final details on the deal, valued at $12 billion. The venture would be split into two companies, one focusing on sugar, ethanol and power co-generation, with a second concentrating on the fuel-distribution, or downstream, segment.

The joint venture would become Brazil's third-largest fuel-distribution chain, with annual gross revenue of about $21 billion, as well as create a biofuel company with the potential to dominate next-generation renewables, such as ethanol, in the currently fragmented market.

The deal "aligns the strategic interests" of both companies, said Marcelo Eduardo Martins, Cosan's director of investor relations, during a conference call with analysts.

Cosan is one of the world's largest producers of sugar and ethanol, but it holds a mere 10% of the Brazilian market, which is saturated with smaller competitors. The combination with Shell opens key research and development avenues for next-generation biofuels, as well as international outlets.

The new company will have the financial muscle to speed consolidation of the local market, as well as to expand ethanol use around the world.

Chief among the new opportunities is electricity generation via biomass. In the case of Cosan and Shell, that biomass takes the form of bagasse—residue from crushed sugar cane. The bagasse is typically burned to produce electricity at ethanol mills throughout Brazil. Brazil, the world's No. 1 sugar producer, currently has about 110 mills supplying electricity to its grid.

Shell's position in biofuel research and development would help the joint venture develop the next generation of renewables, Cosan Chief Executive Marcus Lutz said.

"The joint venture will have the proper scale to develop new technologies," Mr. Lutz said, adding that Shell's presence also increases access to international markets for biofuels.

Cosan first entered the distribution market nearly two years ago. In April 2008, the company purchased Exxon Mobil's local distribution unit, Esso Brasileira de Petroleo Ltda., for $1 billion. In December, Cosan purchased an additional 83 service stations from Petrosul for about $40 million.

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JANUARY 2010

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Ugandan oil sparks fight

Firms compete for reserves that are relatively inexpensive to produce

A skirmish over an oil field on the shores of Africa's Lake Albert highlights Big Oil's intense interest in Uganda—a rising star of African energy.

*By **Guy Chazan** in London And **Nicholas Bariyo** in Kampala, Uganda*

The battle centers on the Ugandan assets of **Heritage Oil** PLC, a small U.K.-based explorer, which is selling its stakes in the much-coveted Lake Albert Rift Basin. The area has yielded some of sub-Saharan Africa's largest onshore oil discoveries of recent years.

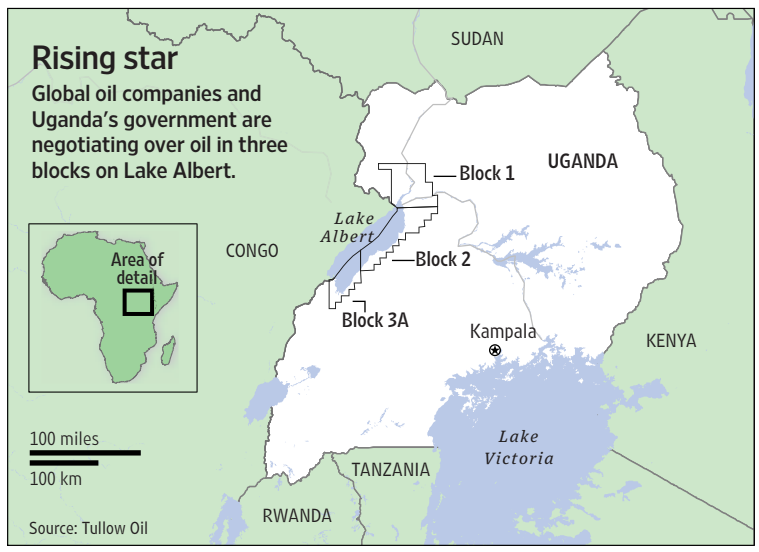
Big energy companies like Italy's **Eni** SpA, France's **Total** SA and **China National Offshore Oil** Co. all are vying for access to Uganda's oil wealth. Uganda's onshore oil is particularly appealing because it is relatively inexpensive to produce. That sets it apart from other frontier provinces, like the deep waters off Brazil's coast and the Arctic Ocean, where the majors require an oil price of around $60 a barrel just to break even.

Initially, Eni looked to be the likely winner, announcing in November that it was buying Heritage's stakes for $1.5 billion in cash and assets. But **Tullow Oil** PLC, Heritage's partner in the oil field, exercised its contractual right to block the sale and acquire the stakes itself at the same price.

Tullow's purchase, however, is subject to approval by the Uganda. The initial reaction was negative, with the country's energy minister saying the government didn't want one company to end up with control of the whole oil field and would prevent the sale if necessary.

Heritage and Tullow share ownership of two blocks, while Tullow owns all of a third. Acquiring Heritage's stakes would give Tullow full ownership of all three blocks, covering 10,000 square kilometers.

The government's position appeared to soften after Tullow Chief Executive Aidan Heavey met with Ugandan President Yoweri Museveni in Kampala recently. Tullow said that once in full possession of the oil field it would sell half to either Cnooc or Total to help finance the construction of a refinery and a 1,300-kilometer pipeline that would carry Uganda's oil to world markets.



Such an arrangement would allow Tullow to control who it works with as well as concentrate on its core activities—exploring for and pumping oil, rather than refining and transporting it to market.

Tullow also announced plans last Wednesday to raise around $1.6 billion in a rights issue to help it develop Uganda's oil.

Tullow now is the favorite to take the Heritage stakes, with Cnooc edging out Total as Tullow's most-likely partner, a person familiar with the matter said. Mr. Museveni met with Cnooc executives in Kampala last week and is expected to meet them again this week to finalize details, the person said. Cnooc and Total declined to comment.

Eni hasn't given up, however, and last week sweetened its package. The company's CEO, Paolo Scaroni, said in a newspaper interview that Eni would not only develop the Lake Albert field and build a refinery and pipeline to the Indian Ocean, but also would construct an electricity plant in Uganda and upgrade a railway line from Kampala to the Kenyan port of Mombasa. He said Eni would invest $13 billion in the "integrated development plan." Eni declined to comment for this article. Tullow declined to comment on Eni's new offer.

What has attracted companies like Eni to Uganda is the one billion barrels of crude already discovered in the Lake Albert Rift Basin, a vast, oil-rich area close to Uganda's border with Congo to the west, and the huge untapped potential of the region. Tullow estimates that about 1.5 billion barrels, roughly the same amount as Yemen's oil reserves, remain to be discovered in the basin.

Uganda also is seen as more stable politically than many of its neighbors, though the north is wracked by armed conflict between the army and a rebel group. Some of the most promising prospects are in Lake Albert itself, however, and will require offshore drilling using floating platforms.

Uganda plans to produce around 150,000 barrels of oil a day within six years, most of which will be exported. The steady revenue stream from oil could radically change the fortunes of the east African country, one of the world's poorest.

"It doesn't move the needle in terms of global oil supply, but it's one of the few countries that will see growth in the coming years in a world of shrinking opportunity," said Bob McKnight, an oil expert at consulting firm PFC Energy.

Tullow and Heritage have had an almost unbroken run of successes since they started drilling for oil in the Lake Albert area five years ago.

Earnings climb at Gazprom, Rosneft

By Jacob Gronholt-Pedersen

MOSCOW—Russian state-controlled energy giants OAO **Gazprom** and OAO **Rosneft** Monday said quarterly earnings rose on higher global energy prices and increased exports.

Still, the outlook for this year remained uncertain for both companies because of weak European gas demand and possible changes in Russian taxes on oil exports.

Gazprom, the world's biggest producer of natural gas, said net profit for its fiscal third quarter, which ended September 30, rose to 174.63 billion rubles ($5.75 billion) from 131.65 billion rubles a year earlier. The increase was primarily due to foreign exchange gains and lower taxes.

Gazprom supplies about a quarter of Europe's gas needs, but the company's market share dropped last year due to increased European use of alternative energy sources, including liquefied natural gas. However, the company said third-quarter exports rose from the second quarter led by a slight increase in European demand.

Demand for Russian gas in Europe—the company's most lucrative market—plummeted last year amid the economic slowdown and as Europe consumed more Norwegian gas. Third-quarter sales dropped to 770.79 billion rubles from 839.16 billion rubles.

Last year, the U.S. overtook Russia as the world's biggest producer of natural gas, partly because of increased shale-gas output in the U.S. Russia accounts for around one-fifth of global gas output and 12% of the world's oil production.

Gazprom's shares climbed 1.8% to close at 189.85 rubles.

Rosneft—Russia's No. 1 oil company with a daily production of 2.28 million barrels—said Monday that fourth-quarter net income more than doubled to $1.67 billion because of higher oil prices and increased production at its key Vankor field in East Siberia.

Revenue increased 35% to $14.57 billion, as the average price of Brent crude rose to $75.72 a barrel from $57.01 a barrel.

The company's shares have lost close to a fifth of their value since reaching a one-year high of 271.7 rubles on Jan. 11, following a proposal by Russia's finance ministry to reverse no export duties on oil produced at some East Siberian oil fields, including Vankor.

But Rosneft Chief Financial Officer Peter O'Brien expressed confidence that the tax breaks will "remain in place for some time."

Rosneft's share price more than doubled last year, but is expected to stay under pressure until the government says the tax breaks will stay in place, analysts said. The company's shares sank 1.2% to 233.50 rubles on the Micex Stock Exchange in Moscow on Monday.

CORPORATE NEWS

Windows 7 fails to boost PC profits

By Justin Scheck

Microsoft Corp.'s new Windows 7 operating system has fattened the company's earnings and boosted personal-computer sales at retailers like **Best Buy** Co. But it hasn't increased the profits of PC giants **Hewlett-Packard** Co., **Dell** Inc. and others.

While consumers purchased more than 90 million new PCs in the holiday quarter, when Microsoft released Windows 7, up 22% from a year earlier, PC revenue grew at just a single-digit rate, analysts say.

That's largely because laptop prices posted a record year-over-year drop, falling 23% to an average of $581 last quarter, according to market-research firm **NPD Group**.

PC makers had hailed Windows 7 as a way for them to launch feature-laden new machines that they could sell for bigger margins. With Windows 7, said Dell Vice President Alex Gruzen in October, the PC market would no longer be a "race to the bottom" in terms of prices.

But the opposite happened as PC makers ran into tight-fisted consumers and retailers that were selling PCs at deep discounts over the holiday quarter. Since PC prices dropped so quickly, analysts now expect Dell and H-P to announce slimmer PC profit margins when they report quarterly results.

Dell, which tried to resist cutting its prices, has already seen slower sales growth as low-cost competitor **Acer** Inc. has stepped up. A spokeswoman says Dell is focused on profitable growth rather than undercutting rivals to gain market share. H-P has also tried to maintain its profit margins by putting the squeeze on suppliers.

The inability of the PC makers to boost profits with Windows 7 stands in stark contrast to the impact on other players. Last week, Microsoft reported a 60% jump in earnings, largely because of Windows 7 sales. And **Intel** Corp., which supplies chips to PC makers, last month reported a 28% jump in revenue and a tenfold increase in profit from a year earlier thanks to strong chip sales.

Stores such as Best Buy also benefited. The electronics retailer cited strong PC sales early last month when it reported that same-store sales were up more than 8% from a year earlier. Retailers can withstand big price cuts on PCs because much of their profit on computers comes from extended warranties and accessories like laptop bags.

Dropping prices "keeps us competitive in the marketplace," says Keeley Noreen, a senior merchant at Best Buy who works on PC sales.

To counter falling profits, PC makers have introduced products with new features and entered new businesses. H-P has been heavily marketing touchscreen PCs to consumers and has said it plans to introduce a touchscreen "tablet" machine with no keyboard. It is also offering financing to small businesses on PC purchases as low as $1,500.

Meanwhile, Dell and Acer, which already sell tablet-style devices, last year entered the phone business in the hope of boosting profits. And Acer recently said it plans to enter the e-reader market.

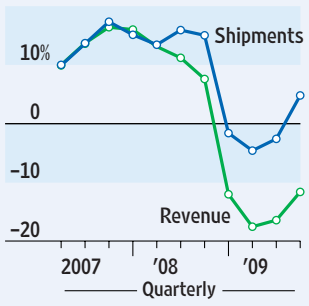
Sumit Agnihotry, a vice president at Acer, also predicts that PC prices will stabilize in coming months now that the holiday period is over. And Microsoft said last week that it anticipates Windows 7 will spark a wave of new purchases from corporate buyers.

Associated Press

A Springfield, Ill., Best Buy on Oct. 22, the day that Microsoft launched Windows 7, which has been a boon to retailers,.

Impact of pricing

Estimated year-to-year change in global PC shipments vs. revenue



Note: PC shipments include desktop PCs and laptops

Source: Gartner

AEGON
EUR 1,000,000,000
Accelerated Bookbuilt Offering
Joint Bookrunner
August 2009 | ABN AMRO

asciano
AUD 2,350,000,000
Placement and Rights Issue
Joint Lead Manager and Underwriter
June 2009

delta lloyd groep
EUR 1,088,800,000
Initial Public Offering
Joint Bookrunner
November 2009

Ford
USD 2,875,000,000
Convertible Bond Offering
Joint Bookrunner
November 2009

SAP
EUR 1,500,000,000
Refinancing of RCF
Joint Bookrunner and
Mandated Lead Arranger
September 2009

RioTinto
AUD 4,244,000,000
Rights Issue
Joint Bookrunner
July 2009

noble group
USD 850,000,000
6.75% 144A / Reg S
Senior Notes Due 2020
Joint Bookrunner
October 2009

sanofi aventis
Because health matters.
EUR 1,500,000,000
Notes due 2013
EUR 1,500,000,000
Notes due 2016
Joint Bookrunner
May 2009

SIEMENS
EUR 2,000,000,000
4.125% Fixed Rate Notes
Due February 2013
EUR 2,000,000,000
5.125% Fixed Rate Notes
Due February 2017
Joint Bookrunner
February 2009

Swedbank
USD 1,000,000,000
2.90% Fixed Rate Senior Unsecured Guaranteed by
Kingdom of Sweden
USD 500,000,000
Floating Rate Senior Unsecured Guaranteed by
Kingdom of Sweden
Due Jan 2013
Joint Bookrunner
June 2009

Korea Eximbank
USD 2,000,000,000
Senior Unsecured SEC
Registered Fixed Rate Notes
Due Jan 2014
Joint Bookrunner
January 2009

U. S. Steel
USD 862,500,000
Convertible Bond Offering
USD 692,070,000
27,140,000 Common Shares
(Follow-On Offering)
Joint Lead Manager
April 2009 | ABN AMRO

Walmart
Save money. Live better.
EUR 1,000,000,000
4.875% Fixed Rate Notes
Due 2029
Joint Bookrunner
September 2009

SAN MIGUEL CORPORATION
USD 1,200,000,000
Divestment of 43.25% Interest in
San Miguel Brewery Inc. to Kirin Holdings
Sole Financial Advisor
May 2009

centrica
GBP 1,266,000,000
Acquisition of Venture
Production by Centrica
Joint Financial Advisor
August 2009

VATTENFALL
EUR 9,951,000,000
Advisor to Vattenfall on the
Acquisition of Nuon
Financial Advisor
July 2009

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Treasurys lose ground on factory data

By Min Zeng

NEW YORK—Treasury prices fell as strong U.S. manufacturing data bolstered optimism on the pace of the economic recovery, while easing concern over Greece's fiscal problems dimmed the allure of low-risk government debt.

U.S. CREDIT MARKETS

Investors returned to riskier assets Monday, helping U.S. stocks and commodities to recoup some ground from last week.

"The economy is basically doing better and the stock market is stabilizing so bonds are suffering," said Tom di Galoma, head of U.S. rates trading at Guggenheim Partners in New York.

Bond prices hit session lows after the Institute for Supply Management said its monthly manufacturing index rose to 58.4 in January, the highest level since August 2004.

The subindex for employment rose to the highest level since April 2006, raising speculation that nonfarm payroll data, due Friday, could see a positive job number for January. Also hurting Treasurys was a widening U.S. budget deficit forecast by President Barack Obama, as well as government debt supply in the coming week.

Late morning in New York, the 10-year note was down 10/32 point, at 97 24/32, to yield 3.650%, compared with 3.611% late Friday. The 30-year bond was down 26/32 point to yield 4.559%.

Three Asian borrowers look to raise $1 billion

By Ditas Lopez

SINGAPORE—A trio of Asian corporate issuers from both ends of the credit spectrum were to price up to $1 billion in international bonds Monday, seeking to capitalize on investors still eager to put money to work.

Investment-grade **Industrial Bank of Korea**, or IBK, is selling up to $500 million in senior unsecured bonds, making it the first offering from South Korea this year.

BOND MARKETS

The offering comes as the Korean government clarified that there is no blanket objection to domestic firms seeking to raise funds abroad in spite of the upward pressure such moves could exert on the already strong won.

Korea is typically the largest source of international bonds from Asia.

In addition, **Rizal Commercial Banking** Corp. raised $250 million on Monday and PT **Chandra Asri** is seeking $230 million. Both are rated below investment grade.

The international bond market has been bustling since January, as sovereign and corporate issuers around the world tap investor demand for debt.

But good pricing and good structure spell the difference between lackluster response and stellar demand.

IBK is offering a 5½-year bond at yield of around 2.1 percentage points over comparable U.S. Treasury yields.

Rizal Commercial Banking, one of the Philippines' largest commercial banks, became the second issuer from the Philippines to sell debt in the international market this year with its five-year offering. The bank priced its bond due Feb. 9, 2015, at par, paying a yield of 6.25%, a term sheet sent to investors showed. The yield is equivalent to 3.88 percentage points over comparable U.S. Treasurys. Pricing was at the low end of the 6.25% to 6.375% guidance unveiled earlier in the day by lead managers Citigroup and Standard Chartered Bank.

The bond, which was increased in size from initial talk of $200 million, was offered only to international investors outside the U.S.

Indonesian petrochemicals company Chandra Asri, which has been looking to sell bonds since late last year, appears likely to finally issue what would be its debut in the offshore market.

Under the terms, Chandra Asri will pay part of the principal along with coupon payments so that at the end of 4½ years it will have paid down half of the principal amount of the bond, according to people familiar with the deal.

The company has set price guidance on the bond at a yield of 13%, plus or minus 0.50 percentage point.

Later this week, independent Indonesian power producer Star Energy Geothermal is expected to price a five-year global bond after meetings with prospective investors end Wednesday.

Japanese bonds

Yields on Japanese government bonds rose amid investor uncertainty over which direction yields will head after Tuesday's auction of 10-year debt.

The 10-year yield rose 0.015 percentage point to 1.33%. The government will auction 2.2 trillion yen ($24.38 billion) of 10-year bonds with an expected coupon at 1.3%, reopening the No. 305 issue for the second straight month.

Royal Bank of Scotland Securities strategist Ruixue Xu predicted the auction will see weak demand because it is the second reopening.

—Takashi Mochizuki in Tokyo contributed to this article.

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Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
3	**Griffin Eastern European Value Fund**	Griffin Capital Management Ltd	EUR	Cayman Isl	**48.45**	60.48	-1.28	8.18
5	**SR Global : Emerging Portfolio USD G**	Sloane Robinson Investment Mngmt Ltd	USD	Cayman Isl	**49.94**	49.94	0.78	17.68
4	**OCCO Eastern European Fund**	Charlemagne Capital Ltd (Cayman Island)	USD	Cayman Isl	**49.78**	49.78	10.29	14.00
4	**Allard Growth Fund**	Allard Partners Management Ltd	USD	Cayman Isl	**49.35**	49.35	3.10	9.62
2	**Karma Fund LP Series B**	Karma Capital Management LLC	USD	United States	**48.23**	48.23	-26.54	11.96
1	**East Capital Bering Russia**	East Capital Asset Management AB	USD	Cayman Isl	**47.83**	47.83	-34.02	15.72
3	**Pharos Russia Fund Ltd**	Pharos Financial Advisors	USD	Cayman Isl	**47.73**	47.73	-3.98	18.13
NS	**East Capital Bering Balkan**	East Capital Asset Management AB	USD	Cayman Isl	**47.18**	47.18	-33.08	NS
3	**Praesidium SA Hedge Fund**	Praesidium Capital Mgmt	ZAR	S Africa	**44.25**	44.25	-10.65	11.05
3	**Firebird Global Fund II Ltd**	Firebird Management LLC	USD	United States	**44.09**	44.09	-17.25	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	01/28	EUR	49.69	-9.0	22.0	-25.1
ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	01/29	USD	9.87	-4.8	28.2	-13.4
Am Eq Blend B	US	EQ	LUX	01/29	USD	9.27	-4.9	27.0	-14.2
Am Growth A	US	EQ	LUX	01/29	USD	29.13	-6.8	30.6	-3.8
Am Growth AX	US	EQ	LUX	01/29	USD	31.45	-6.7	31.3	-3.2
Am Growth B	US	EQ	LUX	01/29	USD	24.47	-6.8	29.3	-4.7
Am Growth C	US	EQ	LUX	01/29	USD	26.34	-6.8	29.9	-4.2
Am Growth I	US	EQ	LUX	01/29	USD	32.30	-6.7	31.6	-3.0
Am Income A	US	BD	LUX	01/29	USD	8.49	0.7	25.6	5.9
Am Income A2	US	BD	LUX	01/29	USD	19.27	1.2	25.5	5.9
Am Income A2	OT	OT	NA	01/29	HKD	149.61	1.2	25.5	5.9
Am Income AT	OT	OT	NA	01/29	HKD	65.76	0.7	24.9	5.6
Am Income AT	US	BD	LUX	01/29	USD	8.47	0.7	24.9	5.6
Am Income B	US	BD	LUX	01/29	USD	8.49	0.7	24.6	5.1
Am Income B2	US	BD	LUX	01/29	USD	16.60	1.2	24.6	5.1
Am Income B2	OT	OT	NA	01/29	HKD	128.88	1.2	24.6	5.1
Am Income BT	OT	OT	NA	01/29	HKD	66.15	0.7	24.1	4.9
Am Income BT	US	BD	LUX	01/29	USD	8.52	0.7	24.1	4.9
Am Income C	US	BD	LUX	01/29	USD	8.49	0.7	24.9	5.4
Am Income C2	US	BD	LUX	01/29	USD	24.69	1.2	24.9	5.4
Am Income I	US	BD	LUX	01/29	USD	8.49	0.7	26.3	6.5
Am Value A	US	EQ	LUX	01/29	USD	8.26	-3.2	16.8	-12.7
Am Value B	US	EQ	LUX	01/29	USD	7.59	-3.3	15.5	-13.7
Am Value C	US	EQ	LUX	01/29	USD	8.25	-3.3	16.2	-13.2
Am Value I	US	EQ	LUX	01/29	USD	8.89	-3.2	17.7	-12.1
Emg Mkts Debt A	GL	BD	LUX	01/29	USD	15.51	-0.3	42.1	7.7
Emg Mkts Debt A2	GL	BD	LUX	01/29	USD	20.15	0.2	42.2	7.8
Emg Mkts Debt AT	GL	BD	LUX	01/29	USD	15.55	-0.3	41.5	7.6
Emg Mkts Debt B	GL	BD	LUX	01/29	USD	15.51	-0.3	40.8	6.7
Emg Mkts Debt B2	GL	BD	LUX	01/29	USD	19.39	0.2	40.8	6.8
Emg Mkts Debt BT	GL	BD	LUX	01/29	USD	15.53	-0.3	40.1	6.5
Emg Mkts Debt C	GL	BD	LUX	01/29	USD	15.51	-0.3	41.5	7.3
Emg Mkts Debt C2	GL	BD	LUX	01/29	USD	19.79	0.2	41.6	7.3
Emg Mkts Debt I	GL	BD	LUX	01/29	USD	15.51	-0.3	42.8	8.3
Emg Mkts Growth A	GL	EQ	LUX	01/29	USD	31.97	-7.7	70.8	-12.1
Emg Mkts Growth B	GL	EQ	LUX	01/29	USD	27.07	-7.8	69.1	-13.0
Emg Mkts Growth C	GL	EQ	LUX	01/29	USD	27.70	-7.8	70.0	-12.5
Emg Mkts Growth I	GL	EQ	LUX	01/29	USD	35.46	-7.7	72.1	-11.4
Eur Growth A	OT	OT	LUX	01/29	EUR	9.49	-2.7	26.4	-13.7
Eur Growth A	OT	OT	LUX	01/29	EUR	6.84	-2.7	26.4	-13.7
Eur Growth B	OT	OT	LUX	01/29	EUR	6.15	-2.7	25.3	-14.5
Eur Growth B	OT	OT	LUX	01/29	USD	8.53	-2.7	25.3	-14.5
Eur Growth C	EU	EQ	LUX	01/29	EUR	5.18	-2.8	25.7	-14.1
Eur Growth I	OT	OT	LUX	01/29	USD	10.34	-2.7	27.3	-13.0
Eur Growth I	OT	OT	LUX	01/29	EUR	7.46	-2.7	27.3	-13.0
Eur Income A	OT	OT	LUX	01/29	EUR	6.71	1.7	40.9	5.6
Eur Income A	OT	OT	LUX	01/29	USD	9.30	1.7	40.9	5.6
Eur Income A2	OT	OT	LUX	01/29	EUR	13.15	2.2	40.9	5.6
Eur Income A2	OT	OT	LUX	01/29	USD	18.24	2.2	40.9	5.6
Eur Income AT	EU	BD	LUX	01/29	EUR	6.70	1.8	40.4	5.4
Eur Income B	OT	OT	LUX	01/29	EUR	6.71	1.7	40.0	4.9
Eur Income B	OT	OT	LUX	01/29	USD	9.30	1.7	40.0	4.9
Eur Income B2	OT	OT	LUX	01/29	EUR	12.23	2.2	39.9	4.9
Eur Income B2	OT	OT	LUX	01/29	USD	16.96	2.2	39.9	4.9
Eur Income BT	EU	BD	LUX	01/29	EUR	6.70	1.7	39.3	4.7
Eur Income C	OT	OT	LUX	01/29	EUR	6.71	1.7	40.3	5.1
Eur Income C	OT	OT	LUX	01/29	USD	9.30	1.7	40.3	5.1
Eur Income C2	OT	OT	LUX	01/29	USD	13.11	2.2	40.4	5.2
Eur Income C2	OT	OT	LUX	01/29	USD	18.18	2.2	40.4	5.2
Eur Income I	OT	OT	LUX	01/29	EUR	6.71	1.7	41.5	6.2
Eur Income I	OT	OT	LUX	01/29	USD	9.30	1.7	41.5	6.2
Eur Strat Value A	OT	OT	LUX	01/29	EUR	8.26	-3.2	27.1	-17.8
Eur Strat Value A	OT	OT	LUX	01/29	USD	11.45	-3.2	27.1	-17.8
Eur Strat Value I	OT	OT	LUX	01/29	EUR	8.46	-3.2	28.2	-17.0
Eur Strat Value I	OT	OT	LUX	01/29	USD	11.73	-3.2	28.2	-17.0
Eur Value A	OT	OT	LUX	01/29	EUR	8.87	-3.6	31.2	-14.8
Eur Value A	OT	OT	LUX	01/29	USD	12.30	-3.6	31.2	-14.8
Eur Value B	OT	OT	LUX	01/29	USD	11.32	-3.5	29.9	-15.6
Eur Value B	OT	OT	LUX	01/29	EUR	8.16	-3.5	29.9	-15.6
Eur Value C	OT	OT	LUX	01/29	USD	11.90	-3.5	30.6	-15.1
Eur Value C	OT	OT	LUX	01/29	EUR	8.58	-3.5	30.6	-15.1
Eur Value I	OT	OT	LUX	01/29	USD	14.23	-3.4	32.4	-14.1
Eur Value I	OT	OT	LUX	01/29	EUR	10.26	-3.4	32.4	-14.1
Gl Balanced (Euro) A	OT	OT	LUX	01/29	USD	15.59	-2.0	22.3	-9.9
Gl Balanced (Euro) B	OT	OT	LUX	01/29	USD	15.17	-2.1	21.2	-10.8
Gl Balanced (Euro) C	OT	OT	LUX	01/29	USD	15.46	-2.0	22.0	-10.1
Gl Balanced (Euro) I	OT	OT	LUX	01/29	USD	15.89	-1.9	NS	NS
Gl Balanced A	US	BA	LUX	01/29	USD	15.98	-3.0	26.8	-10.0
Gl Balanced B	US	BA	LUX	01/29	USD	15.19	-3.1	25.6	-10.9
Gl Balanced C	OT	OT	LUX	01/29	USD	15.74	-3.1	26.4	-10.3
Gl Balanced C	OT	OT	LUX	01/29	EUR	11.35	-3.1	26.4	-10.3
Gl Balanced I	US	BA	LUX	01/29	USD	16.59	-2.9	27.8	-9.4
Gl Bond A	US	BD	LUX	01/29	USD	9.35	1.2	15.5	4.7
Gl Bond A2	US	BD	LUX	01/29	USD	16.26	1.6	15.6	4.7
Gl Bond A2	OT	OT	NA	01/29	HKD	126.24	1.6	15.6	4.7
Gl Bond AT	OT	OT	LUX	01/29	HKD	72.44	1.2	15.1	4.5
Gl Bond AT	US	BD	LUX	01/29	USD	9.33	1.2	15.1	4.5
Gl Bond B	US	BD	LUX	01/29	USD	9.35	1.2	14.3	3.7
Gl Bond B2	US	BD	LUX	01/29	USD	14.22	1.4	14.3	3.6
Gl Bond B2	OT	OT	NA	01/29	HKD	110.40	1.4	14.3	3.6
Gl Bond BT	OT	OT	LUX	01/29	HKD	72.75	1.2	14.1	3.5
Gl Bond BT	US	BD	LUX	01/29	USD	9.37	1.2	14.1	3.5
Gl Bond C	US	BD	LUX	01/29	USD	9.35	1.2	15.0	4.2
Gl Bond C2	US	BD	LUX	01/29	USD	14.10	1.5	15.0	4.2
Gl Bond I	US	BD	LUX	01/29	USD	9.35	1.2	16.1	5.3
Gl Conservative A	US	BA	LUX	01/29	USD	14.73	-0.9	18.2	-3.7
Gl Conservative A2	US	BA	LUX	01/29	USD	16.77	-0.9	18.1	-3.7
Gl Conservative B	US	BA	LUX	01/29	USD	14.71	-1.0	17.0	-4.6
Gl Conservative B2	US	BA	LUX	01/29	USD	15.92	-1.1	17.0	-4.6
Gl Conservative C	US	BA	LUX	01/29	USD	14.72	-0.9	17.6	-4.1
Gl Conservative C2	US	BA	LUX	01/29	USD	16.40	-1.0	17.6	-4.1
Gl Conservative I	US	BA	LUX	01/29	USD	14.81	-0.9	19.2	-2.9
Gl Eq Blend A	GL	EQ	LUX	01/29	USD	10.96	-6.0	33.3	-20.2
Gl Eq Blend B	GL	EQ	LUX	01/29	USD	10.28	-6.1	32.0	-20.9
Gl Eq Blend C	GL	EQ	LUX	01/29	USD	10.76	-6.1	32.7	-20.5
Gl Eq Blend I	GL	EQ	LUX	01/29	USD	11.57	-5.9	34.4	-19.5
Gl Growth A	GL	EQ	LUX	01/29	USD	39.25	-6.3	30.1	-20.9
Gl Growth B	GL	EQ	LUX	01/29	USD	32.74	-6.4	28.7	-21.7
Gl Growth C	GL	EQ	LUX	01/29	USD	37.65	-6.4	29.4	-21.3
Gl Growth I	GL	EQ	LUX	01/29	USD	43.62	-6.3	31.1	-20.3
Gl High Yield A	US	BD	LUX	01/29	USD	4.37	0.9	57.3	5.9
Gl High Yield A2	US	BD	LUX	01/29	USD	9.41	1.6	57.4	5.8
Gl High Yield A2	OT	OT	NA	01/29	HKD	73.06	1.6	57.4	5.8
Gl High Yield AT	OT	OT	NA	01/29	HKD	33.54	0.9	56.0	5.5
Gl High Yield AT	US	BD	LUX	01/29	USD	4.32	0.9	56.0	5.5
Gl High Yield B	US	BD	LUX	01/29	USD	4.37	0.9	55.3	4.6
Gl High Yield B2	US	BD	LUX	01/29	USD	15.11	1.5	55.8	4.8
Gl High Yield B2	OT	OT	NA	01/29	HKD	117.31	1.5	55.8	4.8
Gl High Yield BT	OT	OT	NA	01/29	HKD	34.16	0.9	54.8	4.5
Gl High Yield BT	US	BD	LUX	01/29	USD	4.40	0.9	54.8	4.5
Gl High Yield C	US	BD	LUX	01/29	USD	4.37	0.9	56.5	5.3
Gl High Yield C2	US	BD	LUX	01/29	USD	13.94	1.6	56.6	5.4
Gl High Yield I	US	BD	LUX	01/29	USD	4.37	0.9	58.4	6.6
Gl Thematic Res. A	OT	OT	LUX	01/29	USD	13.79	-6.4	68.4	-0.3
Gl Thematic Res. B	OT	OT	LUX	01/29	USD	12.05	-6.5	66.7	-1.3
Gl Thematic Res. I	OT	OT	LUX	01/29	USD	15.39	-6.3	69.7	0.5
Gl Value A	GL	EQ	LUX	01/29	USD	10.51	-5.7	36.8	-19.4
Gl Value B	GL	EQ	LUX	01/29	USD	9.65	-5.8	35.5	-20.2
Gl Value C	GL	EQ	LUX	01/29	USD	10.21	-5.7	36.3	-19.8
Gl Value I	GL	EQ	LUX	01/29	USD	11.18	-5.7	38.0	-18.8
Greater China A	AS	EQ	LUX	01/29	USD	36.73	-8.2	56.0	-14.1
Greater China B	AS	EQ	LUX	01/29	USD	32.48	-8.3	54.4	-15.0
Greater China C	AS	EQ	LUX	01/29	USD	36.26	-8.2	55.3	-14.5
India Growth A	OT	OT	LUX	01/29	USD	121.35	-4.4	NS	NS
India Growth AX	OT	OT	LUX	01/29	USD	106.10	-4.4	97.5	-7.2
India Growth B	OT	OT	LUX	01/29	USD	127.02	-4.5	NS	NS
India Growth BX	OT	OT	LUX	01/29	USD	90.62	-4.4	95.5	-8.1
India Growth I	EA	EQ	LUX	01/29	USD	110.00	-4.3	98.3	-6.9
Int'l Health Care A	OT	EQ	LUX	01/29	USD	137.05	-0.3	18.3	-5.6
Int'l Health Care B	OT	EQ	LUX	01/29	USD	115.50	-0.4	17.1	-6.5
Int'l Health Care C	OT	EQ	LUX	01/29	USD	131.29	-0.3	17.8	-6.0
Int'l Health Care I	OT	EQ	LUX	01/29	USD	149.84	-0.2	19.3	-4.8
Int'l Technology A	OT	EQ	LUX	01/29	USD	101.01	-8.5	41.4	-8.1
Int'l Technology B	OT	EQ	LUX	01/29	USD	87.45	-8.6	40.0	-9.0
Int'l Technology C	OT	EQ	LUX	01/29	USD	97.57	-8.5	40.8	-8.5
Int'l Technology I	OT	EQ	LUX	01/29	USD	113.33	-8.4	42.6	-7.4
Japan Eq Blend A	JP	EQ	LUX	01/29	JPY	5942.00	-1.4	21.2	-19.1
Japan Eq Blend B	JP	EQ	LUX	01/29	JPY	5729.00	-1.4	20.0	-20.0
Japan Eq Blend C	JP	EQ	LUX	01/29	JPY	5845.00	-1.4	20.7	-19.5
Japan Growth A	JP	EQ	LUX	01/29	JPY	5697.00	-3.0	12.5	-20.0
Japan Growth B	JP	EQ	LUX	01/29	JPY	5493.00	-3.1	11.4	-20.8
Japan Growth C	JP	EQ	LUX	01/29	JPY	5604.00	-3.0	12.0	-20.4
Japan Strat Value A	JP	EQ	LUX	01/29	JPY	6145.00	0.4	30.0	-18.6
Japan Strat Value B	JP	EQ	LUX	01/29	JPY	5930.00	0.3	28.7	-19.4
Japan Strat Value C	JP	EQ	LUX	01/29	JPY	6040.00	0.4	29.3	-19.0
Real Estate Sec. A	OT	EQ	LUX	01/29	USD	13.50	-5.9	42.0	-15.9
Real Estate Sec. B	OT	EQ	LUX	01/29	USD	12.33	-6.0	40.6	-16.7
Real Estate Sec. I	OT	EQ	LUX	01/29	USD	14.52	-5.8	43.2	-15.2
Short Mat Dollar A	US	BD	LUX	01/29	USD	7.28	0.1	13.6	-5.3
Short Mat Dollar A2	US	BD	LUX	01/29	USD	9.83	0.4	13.4	-5.4
Short Mat Dollar AT	US	BD	LUX	01/29	USD	7.26	0.1	13.1	-5.6
Short Mat Dollar B	US	BD	LUX	01/29	USD	7.28	0.1	13.1	-5.8
Short Mat Dollar B2	US	BD	LUX	01/29	USD	9.78	0.4	12.8	-5.8
Short Mat Dollar BT	OT	OT	LUX	01/29	USD	7.28	0.1	NS	-6.2
Short Mat Dollar C	US	BD	LUX	01/29	USD	7.28	0.1	13.1	-5.8
Short Mat Dollar C2	US	BD	LUX	01/29	USD	13.83	0.4	12.9	-5.8
Short Mat Dollar I	US	BD	LUX	01/29	USD	7.28	0.1	14.2	-4.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	01/27	USD	102.07	2.1	24.0	21.8
PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	11/30	SEK	612.68	12.3	10.4	-17.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	01/26	USD	35.49	-13.0	-58.6	-11.2
Superfund GCT USD*	GL	EQ	LUX	01/26	USD	2027.00	-7.6	-45.6	-6.1
Superfund Green Gold A (SPC)	OT	OT	CYM	01/26	USD	900.08	-6.7	-21.6	0.1
Superfund Green Gold B (SPC)	OT	OT	CYM	01/26	USD	841.90	-10.0	-37.4	-5.4
Superfund Q-AG*	OT	OT	AUT	01/26	EUR	6178.00	-6.7	-30.0	-0.5
WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4
ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	01/29	EUR	49.02	-6.0	34.6	-8.2
Industria AE	EU	EQ	DEU	01/29	EUR	70.22	-1.8	32.3	-12.7
InternRent AE	EU	BD	DEU	01/29	EUR	36.65	4.1	3.0	10.1
CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	01/22	USD	280871.44	2.3	111.2	7.9

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MARKETS

Exxon, Alcoa boost stocks; Amazon skids

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—U.S. stocks climbed Monday, rebounding from a rough January as improving manufacturing activity and better-than-expected earnings from **Exxon Mobil** lifted sentiment.

The Dow Jones Industrial Average was up 71.87 points, or 0.7%, at 10139.20 at midday.

ABREAST OF THE MARKET

Aluminum giant **Alcoa** led the Dow, up 3.5%, as metals futures moved higher. Exxon Mobil was also particularly strong, up 2.7% after the energy giant reported fourth-quarter earnings above analysts' estimates.

The Standard & Poor's 500-share index climbed 0.9% to 1083.39, led by the energy and materials sectors. The technology-heavy Nasdaq Composite rose 0.4% to 2155.90.

The rally erased just a small part of the stock market's losses over the past two weeks, with the Dow still down some 2.5% for the year so far. The year-to-date decline has come despite companies' fourth-quarter earnings and revenues largely topping analysts' estimates, as strong results appear to have already been priced in.

Amazon.com slid 7.9% after it conceded defeat over the weekend in a battle with publisher Macmillan over the price of e-books. Amazon is the maker of the Kindle.

American depositary shares of **Toyota Motor** climbed 3.3% after the Japanese car giant said it had begun shipping a fix for the accelerator problem involved in the recall of millions of vehicles.

European stocks

Key indexes shook off early losses to close higher, helped by gains for airline **Ryanair** and bid speculation for utilities.

The pan-European Dow Jones Stoxx 600 index added 0.6% to 248.42. Among national indexes, the U.K. FTSE 100 index rose 1.1% to 5247.41, the German DAX index added 0.8% to 5654.48 and the French CAC-40 index gained 0.6% to 3762.01.

Irish airline Ryanair surged 6.7% in Dublin after it narrowed its third-quarter net loss and lifted profit guidance.

Deal speculation pushed up U.K. water utility Northumbrian Water 12% in London. The Sunday Times newspaper reported over the weekend that the Ontario Teachers pension fund, which holds more than a quarter of the firm, is considering a bid. Northumbrian Water and the pension fund declined to comment.]

Renault rose 3.1% in Paris as its new passenger car registrations in France jumped 59% during January.

Vivendi fell 2.4%, also in Paris, after a U.S. jury found the French company liable for misstatements about its financial health in 2001 and in 2002. The lawyer representing shareholders suing the firm said they were seeking as much as $4 billion in damages.

Strong data in U.S. trim euro's gains

By Bradley Davis

NEW YORK—The euro was higher against the dollar Monday, but it pulled back after better-than-expected U.S. manufacturing data.

A January index of U.S. manufacturing hit its highest level since August 2004, further entrenching the idea that the global economy is clawing out of a hole. The news sent the dollar higher against the yen.

CURRENCY MARKETS

The euro remained slightly higher on the day, after an earlier jump driven by strong euro-zone manufacturing data. But analysts warned that the common currency could again sag under the weight of the sovereign-debt concerns that have pressured it recently.

Meanwhile, the pound failed to benefit from the strongest U.K. manufacturing data in more than 15 years, as investors sold off sterling over uncertainty about whether the Bank of England would end the bond-buying program—known as quantitative easing—it enacted to stimulate the economy. The Bank of England policy committee is due to announce a decision Thursday.

Midday, the euro was at $1.3904 from $1.3863 late Friday. The dollar was at 90.89 yen from 90.25 yen, while the euro was at 126.37 yen from 125.12 yen. The U.K. pound slid to $1.5923 from $1.5982. The dollar was at 1.0590 Swiss francs from 1.0607 francs.

Property stocks help Hong Kong advance

Hong Kong shares advanced Monday as investors snapped up **New World Development** and other property stocks.

New World Development jumped 3.9% after a news report that the developer sold about 80% of the homes at Belcher's Hill in western Hong Kong Island within two days of the launch.

ASIAN-PACIFIC STOCKS

Investors bought other Hong Kong property stocks, hoping they would experience similar strong sales. **Cheung Kong** rose 1.8%, and **Sino Land** advanced 0.5%.

By Colin Ng, Wei-Zhe Tan And V. Phani Kumar

Shares of South Korean auto makers climbed on hopes they will benefit from vehicle recall woes at **Honda Motor** and **Toyota Motor**, though the Japanese car makers declined in Tokyo, capping broad market gains there.

Hong Kong's Hang Seng Index added 0.6% to 20243.75, Japan's Nikkei Stock Average of 225 companies rose 0.1% to 10205.02 and South Korea's Kospi advanced 0.3% to 1606.44.

In Tokyo, Honda fell 2.5% after it announced a world-wide recall of 646,000 compact cars to examine window switches that can overheat if exposed to liquid, causing smoke or even fire. Toyota dropped 1.2%, still weighed down by its massive recalls of vehicles.

But their South Korean rivals rose on expectations of market-share gains in the U.S. **Hyundai Motor** gained 2.7% and **Kia Motors** surged 5.6%.

The region's technology shares fell sharply after recent losses on the Nasdaq, with **Samsung Electronics** falling 0.9% in Seoul, **Elpida Memory** tumbling 5.8% in Tokyo, **Chi Mei Optoelectronics** falling 2.6% and **Foxconn Technology** down 3.2% in Taipei.

Toshiba shrank 6% in Tokyo after Friday's announcement its operating profit of 10.2 billion yen ($113 million) in the December-ended quarter came in below the firm's internal target of 30 billion yen.

Hynix Semiconductor reversed early declines to finish 1.5% higher on news creditors have extended a deadline for accepting offers for their share in the company.

Banks outperformed in Tokyo, with **Mizuho Financial Group** rising 1.7% after announcing it swung back to a quarterly profit due to reduced credit costs and smaller losses from equity holdings.

In other regional markets, China's Shanghai Composite dropped 1.6% to 2941.36, Australia's S&P/ASX 200 shed 1% to 4524.1 and Taiwan's Taiex fell 1.5% to 7524.67.

China shares pushed lower on continued concerns of further loan restrictions after the state-run Economic Information Daily reported Monday that loans in January hit 1.6 trillion yuan ($234.6 billion).

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/22	USD	1278.23	2.8	24.8	-6.4
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/25	JPY	15087.02	-2.9	69.5	4.0
GAM Asia Equity Hedge US	OT	OT	VGB	01/25	USD	282.10	-2.8	72.3	5.5
GAM Asia Equity USD	OT	OT	VGB	01/29	USD	600.32	-8.2	62.0	-9.9
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/29	USD	1262.09	-1.6	26.6	-12.8
GAM Com Glb Bal EUR Op	US	BA	VGB	01/25	EUR	95.68	0.6	18.4	-5.6
GAM Com Glb Bal USD Op	US	BA	VGB	01/25	USD	128.59	0.6	18.4	-5.6
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/25	EUR	97.61	-0.3	27.8	-10.6
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/25	USD	127.11	-0.3	27.8	-10.6
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/25	EUR	86.28	0.0	20.1	-8.6
GAM Comp Glb Gr USD Op	US	BA	VGB	01/25	USD	127.02	0.0	20.1	-8.6
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/22	USD	240.75	-3.2	37.5	-7.6
GAM Cross Trading Inc	OT	OT	VGB	01/25	USD	464.84	-0.2	4.2	NS
GAM Diversity CHF Op	OT	OT	VGB	01/25	CHF	94.03	-0.3	3.5	-6.1
GAM Diversity EUR Op	OT	OT	VGB	01/25	EUR	646.74	-0.3	4.2	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	01/25	USD	77.68	-0.8	7.2	-17.3
GAM Diversity USD Op	OT	OT	VGB	01/25	USD	679.27	-0.2	4.1	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/25	CHF	99.13	-0.4	2.8	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/25	EUR	138.30	-0.3	3.5	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	01/25	USD	209.47	-0.3	3.4	-5.1
GAM DvrstyIII EUR Op	OT	OT	VGB	01/25	EUR	115.14	-0.4	3.5	-5.0
GAM DvrstyIII USD Op	OT	OT	VGB	01/25	USD	121.58	-0.3	3.7	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/25	EUR	220.77	0.9	13.6	-2.4
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/25	USD	204.98	0.8	14.0	-0.9
GAM European Equity USD	OT	OT	VGB	01/28	USD	274.99	-6.2	27.5	-12.1
GAM GAMCO	OT	EQ	VGB	01/26	USD	786.89	-2.9	46.9	-6.7
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/25	EUR	97.11	-0.8	13.8	-15.2
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/25	USD	102.47	-0.7	14.7	-14.5
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/25	USD	254.84	2.0	35.4	-3.3
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/25	USD	280.36	-2.2	109.4	20.0
GAM Intrst Trend II	GL	BD	VGB	01/25	USD	103.17	9.6	55.0	-5.0
GAM Intrst Trend Inc	OT	OT	VGB	01/25	USD	273.99	8.9	67.8	-2.9
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/25	EUR	125.50	7.5	14.4	-0.2
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/25	USD	129.95	6.5	20.6	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/25	JPY	8943.37	6.4	18.7	-11.8
GAM Japan USD	JP	EQ	VGB	01/29	USD	1129.97	2.5	14.3	-12.6
GAM Japan YEN	JP	EQ	VGB	01/29	JPY	8930.98	1.2	17.2	-18.3
GAM Money Mkt EuroOp	EU	MM	VGB	01/28	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/28	USD	100.01	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/25	EUR	111.96	0.7	0.4	-8.8
GAM Multi-Arb USD Op	OT	OT	VGB	01/25	USD	116.87	0.7	0.6	-9.1
GAM Multi-China EUR Op	OT	OT	VGB	01/25	EUR	166.22	-1.0	10.7	-6.7
GAM Multi-China USD Op	OT	OT	VGB	01/25	USD	174.77	-1.0	11.2	-7.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/25	GBP	131.06	-0.3	24.2	-0.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/25	USD	648.52	-0.4	24.2	-0.8
GAM Multi-Eur EUR Op	OT	OT	VGB	01/25	EUR	268.50	-0.1	6.0	-6.6
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/25	EUR	138.15	-0.1	6.2	-6.7
GAM Multi-Eur II USD Op	OT	OT	VGB	01/25	USD	112.93	-0.1	5.9	-7.7
GAM Multi-Eur USD Op	OT	OT	VGB	01/25	USD	467.05	-0.1	5.7	-7.6
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/25	EUR	133.91	-0.1	10.0	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/25	USD	217.96	-0.1	10.9	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/25	EUR	142.60	-0.6	3.4	-2.8
GAM Multi-Pac USD Op	OT	OT	VGB	01/25	USD	164.50	-0.6	3.6	-3.2
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/22	USD	2699.62	2.3	67.2	11.8
GAM Sing/Malaysia	AS	EQ	VGB	01/29	USD	2394.92	-5.2	53.6	-9.2
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/25	GBP	238.89	3.9	43.1	5.1
GAM Trading EUR Inc	OT	OT	VGB	01/25	EUR	324.42	-0.2	4.3	5.5
GAM Trading USD Inc	OT	OT	VGB	01/25	USD	970.94	-0.2	4.6	4.8
GAM Trdg II IncEUR Op	OT	OT	VGB	01/25	EUR	138.76	-0.2	4.2	5.4
GAM Trdg II IncUSD Op	OT	OT	VGB	01/25	USD	315.27	-0.2	4.6	4.9
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/25	EUR	146.44	-0.2	4.0	5.1
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/25	USD	154.19	-0.2	4.4	4.7
GAM Trdg V IncEUR Op	OT	OT	VGB	01/25	EUR	124.15	-0.2	3.3	5.0
GAM Trdg V IncUSD Op	OT	OT	VGB	01/25	USD	129.32	-0.2	3.8	4.7
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/25	EUR	156.63	-0.2	4.1	5.2
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/25	USD	162.16	-0.2	4.4	4.8
GAM USDSpecBondInc	US	BD	VGB	01/25	USD	559.26	5.5	74.6	9.5
GAM Worldwide	GL	EQ	VGB	01/28	USD	2109.20	-5.2	29.7	-9.0
GAMut Investments	OT	OT	VGB	01/27	USD	7613.75	0.4	2.2	7.8

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/28	CHF	10.38	-6.0	48.5	-10.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/28	EUR	11.31	-5.1	55.9	-5.7
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/28	GBP	1.45	-7.2	46.3	1.7
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/28	USD	12.41	-7.5	65.9	-8.1
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/28	EUR	103.52	2.3	23.4	-8.0
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/28	EUR	100.18	2.3	23.4	-8.0
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/28	EUR	10.51	-4.4	21.9	-7.3
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/28	EUR	176.41	-3.6	22.2	-9.6
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/28	EUR	161.20	-3.6	22.1	-9.6
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/28	USD	15.02	-6.1	29.8	-11.9
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/28	USD	13.62	-6.1	29.7	-11.9
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/28	USD	5.38	-1.9	34.9	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/28	EUR	93.15	5.9	15.9	-6.0
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/28	EUR	93.15	5.9	15.9	-6.0
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/28	JPY	946.97	2.8	21.3	-16.2
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/28	USD	11.59	4.3	18.1	-10.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/28	USD	2123.88	-5.1	30.7	-8.5

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
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American Growth	US	EQ	LUX	02/01	USD	14.44	-4.1	22.3	-10.5
American Growth AA	US	EQ	LUX	02/01	USD	0.83	-4.1	22.0	-8.2
Asian Equity	AS	EQ	LUX	02/01	USD	2.28	-6.9	63.2	-8.0
Asian Equity AA	AS	EQ	LUX	02/01	USD	0.73	-6.9	62.6	-8.3
Asian Sm Cap Equity AA	AS	EQ	LUX	02/01	USD	1.11	-3.6	93.6	-3.4
China Value A	AS	EQ	LUX	02/01	USD	6.48	-8.8	58.5	-4.6
China Value AA	AS	EQ	LUX	02/01	USD	2.04	-8.8	58.1	-4.9
Dragon Growth	AS	EQ	LUX	02/01	USD	1.52	-8.4	59.5	-8.6
Dragon Growth AA	OT	OT	LUX	02/01	HKD	7.39	-8.2	59.4	-9.6
Emg Eastrn Europe A	EU	EQ	LUX	02/01	USD	4.62	0.3	116.0	-13.6
Emg Eastrn Europe AA	EU	EQ	LUX	02/01	USD	1.99	0.3	115.6	-13.8
European Growth	EU	EQ	LUX	02/01	USD	8.64	-5.1	50.4	-15.7
European Growth AA	EU	EQ	LUX	02/01	USD	0.62	-5.1	50.0	-15.9
Global Contrarain AA	GL	EQ	LUX	02/01	USD	0.88	0.2	85.3	NS
Global Property AA	OT	EQ	LUX	02/01	USD	0.64	-4.3	48.8	-13.2
Global Resources AA	OT	EQ	LUX	02/01	USD	0.99	-6.6	41.4	-14.0
Healthcare AA	OT	EQ	LUX	02/01	USD	0.93	-0.8	14.0	NS
India Equity AA	EA	EQ	LUX	02/01	USD	1.04	-5.3	77.5	-16.0
International Growth	GL	EQ	LUX	02/01	USD	2.93	-3.4	22.2	-13.3
International Growth AA	GL	EQ	LUX	02/01	USD	0.68	-3.4	21.9	-13.5
Japanese Growth	JP	EQ	LUX	02/01	USD	2.75	0.3	11.3	-10.9
Japanese Growth AA	JP	EQ	LUX	02/01	USD	0.72	1.0	11.8	-10.8
Latin America Equity AA	GL	EQ	LUX	02/01	USD	1.17	-8.1	80.8	-3.8
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/01	USD	1.01	0.1	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/01	USD	1.11	-2.7	NS	NS
Russia Equity AA	EE	EQ	LUX	02/01	USD	0.65	5.4	159.4	-18.0
Taiwan Equity AA	AS	EQ	LUX	02/01	USD	0.99	-6.8	91.5	3.8
Turkey Equity AA	EE	EQ	LUX	02/01	USD	0.81	4.3	131.6	-1.8
U.S. Bond AA	US	BD	LUX	02/01	USD	1.13	1.5	18.1	7.2
U.S. Sm Cap Equity AA	US	EQ	LUX	02/01	USD	0.82	0.7	64.2	-8.5
U.S. Special Opportunities	OT	OT	LUX	02/01	USD	0.84	3.9	86.1	4.3
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/01	USD	1.15	0.9	9.7	1.8

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Indonesian Grth Fund	EA	EQ	CYM	01/20	USD	135.86	6.7	122.6	3.5

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■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	01/29	USD	7.70	-4.0	89.2	-2.9

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A company of Amundi Group
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Bonds Eur Hi Yld A	OT	OT	LUX	01/28	EUR	21.17	2.8	54.2	2.8
Bonds EURO A	OT	OT	LUX	01/29	EUR	41.17	0.3	5.3	4.6
Bonds EUROPE A	OT	OT	LUX	01/29	EUR	39.34	0.6	4.8	4.2
Bonds US OppsCoreplus A	OT	OT	LUX	01/28	USD	37.48	1.6	16.2	8.1
Bonds World A	OT	OT	LUX	01/29	USD	41.74	-0.6	8.7	4.3
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/29	USD	9.65	-7.4	66.4	-10.0
Eq. China A	AS	EQ	LUX	01/29	USD	21.51	-10.8	58.6	-11.0
Eq. Concentrated Euroland A	OT	OT	LUX	01/28	EUR	87.42	-6.0	16.2	-16.0
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/28	EUR	25.99	-3.8	29.7	-14.0
Eq. Emerging Europe A	OT	OT	LUX	01/28	EUR	24.56	4.2	97.0	-18.5
Eq. Euroland A	EU	EQ	LUX	01/28	EUR	10.18	-5.9	15.4	-16.8
Eq. Euroland Small Cap A	OT	OT	LUX	01/29	EUR	140.70	-0.3	41.4	-6.1
Eq. EurolandCyclclsA	EU	EQ	LUX	01/28	EUR	17.22	-3.2	28.5	-10.9
Eq. EurolandFinancialA	OT	EQ	LUX	01/28	EUR	10.34	-8.6	30.5	-19.7
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/28	USD	8.85	-8.6	60.7	-13.9
Eq. Global A	GL	EQ	LUX	01/29	USD	26.58	-4.6	32.5	-12.1
Eq. Global Energy A	OT	OT	LUX	01/28	USD	17.33	-4.4	19.8	-11.7
Eq. Global Resources A	OT	OT	LUX	01/28	USD	101.13	-7.4	42.5	-12.6
Eq. Gold Mines A	OT	OT	LUX	01/28	USD	27.85	-8.1	37.0	-7.8
Eq. India A	OT	OT	LUX	01/29	USD	123.69	-5.4	76.6	-16.3
Eq. Japan CoreAlpha A	OT	OT	LUX	01/29	JPY	7428.67	2.4	26.3	-8.1
Eq. Latin America A	OT	OT	LUX	01/29	USD	103.95	-10.6	67.3	-12.3
Eq. US Lg Cap Gr A	US	EQ	LUX	01/29	USD	14.27	-6.4	30.8	-10.7
Eq. US Rel Val A	US	EQ	LUX	01/28	USD	19.98	-3.0	29.8	-13.5
Eq. US Sm Cap Val A	US	EQ	LUX	01/29	USD	15.20	-3.6	23.6	-17.8
Money Market EURO A	EU	MM	LUX	01/28	EUR	27.40	0.0	0.8	2.5
Money Market USD A	US	MM	LUX	01/28	USD	15.83	0.0	0.4	1.5

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TNI Mena Real Estate Fund	OT	OT	BMU	01/21	USD	942.77	-1.9	1.9	-30.0
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/21	AED	5.04	-5.5	13.6	-35.5

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*formerly known as China ABH Shares Fund

Intel-Chin MainInd Foc	AS	EQ	CYM	01/15	USD	30.29	1.5	99.7	5.9
Intel-China Converg*	AS	EQ	CYM	01/15	USD	115.18	1.0	99.9	4.9
VP Classic - A	AS	EQ	CYM	01/29	USD	175.72	-5.8	78.1	1.9
VP CLassic - B	AS	EQ	CYM	01/29	USD	81.87	-5.8	77.2	1.4
VP High Dividend Stk	AS	EQ	CYM	01/25	USD	44.72	-1.6	84.6	4.3

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	02/01	JPY	9142.00	-2.4	16.1	-19.5
YMR-N Small Cap Fund	OT	OT	IRL	02/01	JPY	6785.00	-2.1	14.8	-18.7

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	02/01	JPY	5920.00	-3.8	9.7	-23.7
Yuki 77 Growth	JP	EQ	IRL	02/01	JPY	5405.00	-4.2	4.7	-27.4

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/01	JPY	6650.00	-2.6	16.5	-19.4
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/01	JPY	7486.00	-0.7	1.4	-19.0

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/01	JPY	4536.00	-2.9	9.9	-23.4
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/01	JPY	5122.00	-2.4	7.5	-18.2
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/01	JPY	4934.00	-3.3	13.9	-19.0

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/01	JPY	4230.00	-4.3	12.1	-27.4
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/01	JPY	4450.00	-4.6	11.8	-27.5
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/01	JPY	6686.00	-4.1	22.4	-21.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/01	JPY	8220.00	-4.6	15.7	-20.4
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/01	JPY	6078.00	-4.4	8.7	-22.4
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/01	JPY	7417.00	-2.8	1.5	-20.7
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/01	JPY	5045.00	-2.8	14.8	-21.4
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/01	JPY	11222.00	-2.9	10.8	-15.9
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/01	JPY	7658.00	-3.8	11.9	-24.7
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/01	JPY	6874.00	-3.7	21.2	-19.9
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/01	JPY	5508.00	-2.5	14.7	-18.2
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/01	JPY	2596.00	-4.8	13.3	-26.5

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	02/01	JPY	5210.00	-3.9	15.4	-20.7

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Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE Previous session	Year-to-date	52-week
Turkey	1.17%	3.6%	111.1%
Sweden	1.20	1.5	69.2
Netherlands	0.73	0.4	41.5
Japan	-0.14	-0.8%	18.7
Russia	-1.23	-1.0	106.9
Switzerland	0.47	-2.0	32.6
South Africa	-0.74	-3.4	27.9
U.K.	0.62	-3.5	27.9
South Korea	0.54	-5.1	42.7
France	0.40	-5.1	29.7
Italy	0.17	-5.1	29.4
Canada	1.00	-5.6	26.5
Spain	0.60	-5.6	22.9
Germany	0.52	-5.7	26.0
Singapore	-0.22	-5.8	62.2
Australia	-0.96	-6.8	28.6
Hong Kong	0.65	-7.4	52.1
Brazil	1.75	-11.1	87.7
China 88	-1.51	-13.1	42.9

Dow Jones Regional Sector Titans

EU Enlarged†-p	1.75%	2.9%	59.7%
Nordic 30 -p	1.81	1.9	41.9
Travel Leisure	1.15	1.9	33.8
Pers H'hold Gds	0.44	1.0	34.6
Arab 50	0.48	0.2	26.2
Asian 50	-0.30	-3.6%	40.3
Stoxx 50 -p	0.99	-4.1	25.0
Global 50	-0.17	-5.3	28.5
Euro Stoxx 50 -p	1.44	-6.3	24.1
Tiger 50*	-0.17	-7.0	63.8

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Monday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Shinhan Financial Grp	South Korea	Banks	$17.3	42,750	4.27%	67.3%	-17.9%
Nippon T&T	Japan	Fixed Line Telecoms	57.5	3,935	3.28	-9.1	-35.5
Japan Tobacco	Japan	Tobacco	35.8	337,500	3.21	33.7	-39.0
KB Fncl Group	South Korea	Banks	17.0	51,900	2.57	51.9	-34.2
NTT DoCoMo	Japan	Mobile Telecoms	63.9	138,600	2.44	-10.9	-28.2
Mitsui	Japan	Industrial Suppliers	$25.9	1,293	-2.93%	31.4	-31.6
Taiwan Smcndtr Mfg	Taiwan	Semiconductors	48.3	59.80	-2.76	43.8	-10.5
Honda Motor	Japan	Automobiles	60.5	2,999	-2.47	46.3	-33.8
Westfield Grp	Australia	Retail REITs	25.2	12.34	-2.37	2.0	-45.0
Hon Hai Precision Ind	Taiwan	Electrical Cmpnts Equipment	35.0	131.50	-2.23	154.2	-8.5

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
KDDI Japan (Mobile Telecommunications)	23.8	487,500	2.31%	-12.5%	-45.4%
Takeda Pharm Japan (Pharmaceuticals)	35.2	4,045	1.89	-3.9	-48.5
Cheung Kong Hong Kong (Real Estate Holding Development)	28.0	93.75	1.85	33.0	-10.5
China Constr Bk Hong Kong (Banks)	176.2	6.09	1.84	62.4	33.0
Mizuho Financial Grp Japan (Banks)	27.6	178.00	1.71	-16.0	-78.7
Sony Japan (Consumer Electronics)	33.7	3,060	1.66	75.4	-46.3
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.6	2,480	1.64	4.6	-43.4
China Mobile (HK) Hong Kong (Mobile Telecommunications)	191.3	74.75	1.36	9.0	1.7
Indl Comm Bk China Hong Kong (Banks)	61.7	5.77	1.23	75.4	26.8
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	33.5	101.50	1.20	49.4	3.8
Nintendo Japan (Toys)	36.1	25,530	1.11	-2.3	-22.5
Mitsubishi UFJ Finl Japan (Banks)	72.6	473.00	1.07	-2.5	-66.7
Panasonic Japan (Consumer Electronics)	32.8	1,436	0.98	34.8	-39.0
JFE Hldgs Japan (Iron Steel)	18.6	3,190	0.95	37.2	-52.2
CNOOC Hong Kong (Exploration Production)	64.1	11.14	0.91	68.3	68.0
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.4	53.60	0.85	42.9	-33.7
East Japan Railway Japan (Travel Tourism)	26.7	6,110	0.66	3.4	-29.9
Sumitomo Mitsui Finl Japan (Banks)	32.9	2,951	0.55	-15.4	-74.8
Kansai Elec Power Japan (Conventional Electricity)	21.8	2,070	0.53	-14.3	-42.2
China Life Ins Hong Kong (Life Insurance)	33.3	34.80	0.43	70.6	52.6

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Aus NZ Bk Australia (Banks)	48.3	21.80	0.32%	64.4%	-25.8%
Seven I Hldgs Japan (Broadline Retailers)	19.8	1,982	0.25	-18.6	-44.9
PetroChina Hong Kong (Integrated Oil Gas)	23.8	8.76	-0.45	53.7	-9.3
Commonwlth Bk of Aus Australia (Banks)	71.2	52.98	-0.47	100.3	5.0
BHP Billiton Australia (General Mining)	116.4	39.20	-0.51	30.7	48.4
Canon Japan (Electronic Office Equipment)	47.9	3,515	-0.57	49.3	-42.9
Nippon Steel Japan (Iron Steel)	22.7	327.00	-0.61	22.5	-54.1
RioZim Ltd Australia (General Mining)	36.2	67.41	-0.87	92.2	13.1
Samsung Elec South Korea (Semiconductors)	97.9	777,000	-0.89	64.1	32.6
POSCO South Korea (Iron Steel)	34.4	531,000	-0.93	47.5	57.1
National Australia Bk Australia (Banks)	48.4	26.10	-1.02	39.5	-35.9
Tokyo Elec Power Japan (Conventional Electricity)	35.9	2,408	-1.11	-14.5	-43.5
Toyota Motor Japan (Automobiles)	119.9	3,450	-1.15	19.6	-55.9
Shin-Etsu Chml Japan (Specialty Chemicals)	21.9	4,675	-1.16	9.7	-39.4
Woolworths Australia (Food Retailers Wholesalers)	27.8	25.51	-1.35	-6.0	4.5
Westpac Bking Australia (Banks)	60.6	23.53	-1.38	53.7	-6.6
QBE Ins Grp Australia (Reinsurance)	20.5	22.60	-1.40	-5.8	-26.6
Woodside Petroleum Australia (Exploration Production)	26.4	41.59	-1.75	17.7	9.5
Nissan Motor Japan (Automobiles)	32.4	721.00	-2.04	170.0	-47.9
Mitsubishi Japan (Industrial Suppliers)	38.8	2,140	-2.15	76.1	-12.7

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-0.01%	-0.01%	1.5%	0.0%	6.5%
Event Driven	-0.16	0.82	2.8	0.7	14.8
Equity Long/Short	-1.16	-0.06	3.1	0.2	3.6

*Estimates as of 01/28/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

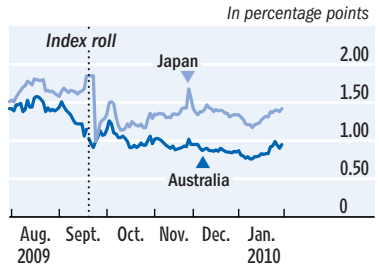
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.83	100.79%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.19	99.14	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.53	101.86	0.05	6.15	3.79	4.97
Asia ex-Japan IG: 12/1	1.08	99.64	0.01	1.29	0.87	1.05
Japan: 12/1	1.42	98.01	0.01	1.68	0.99	1.32

Note: Data as of January 29

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Promise	628	**-22**	-9	-164
Sanyo Shinpan Fin	628	**-16**	-8	-194
IHI C	307	**-8**	-7	-17
Nomura Secs	149	**-6**	1	-8
Taisei	350	**-2**	1	-16
Aioi Ins	122	**-2**	-2	-5
Toray Inds	48	**-2**	-1	-3
Asahi Glass	49	**-2**	-6	-7
Tokyo Elec Pwr	34	**-1**	2	1
Mizuho Corporate Bk	126	**-1**	12	20

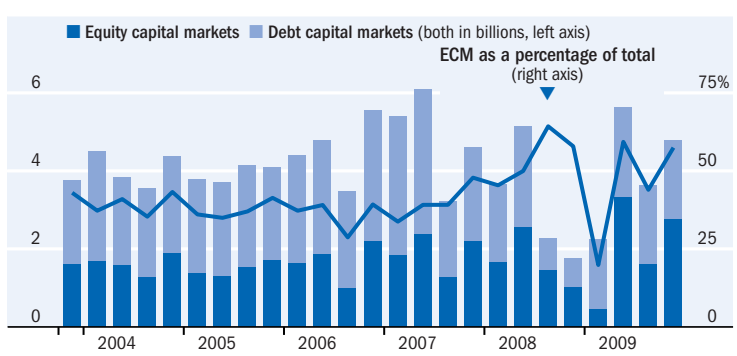
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Itochu	140	**5**	7	-4
Rep Philippines	189	**5**	-4	22
Shin Han Bk	129	**5**	3	26
Toyota Mtr	80	**6**	11	11
Hana Bank	128	**6**	3	24
Woori Bk	142	**7**	4	29
Yamaha Mtr	89	**10**	10	10
Toshiba	160	**10**	14	-1
Nippon Sheet Glass	206	**12**	17	1
Nishimatsu Constr	541	**17**	-6	-10

Source: Markit Group

US: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	360.25	3.75	1.05%	712.25	315.50
Soybeans (cents/bu.)	CBOT	922.00	8.00	0.88	1,560.00	805.00
Wheat (cents/bu.)	CBOT	483.00	9.00	1.90	1,029.25	459.00
Live cattle (cents/lb.)	CME	88.600	-0.775	-0.87%	95.175	85.050
Cocoa ($/ton)	ICE-US	3,177	-7	-0.22	3,510	1,994
Coffee (cents/lb.)	ICE-US	132.75	1.05	0.80	188.65	115.00
Sugar (cents/lb.)	ICE-US	29.52	-0.38	-1.27	30.40	11.91
Cotton (cents/lb.)	ICE-US	68.73	-0.30	-0.43	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,445.00	-6	-0.24	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,242	9	0.40	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,327	3	0.23	1,710	1,300
Copper (cents/lb.)	COMEX	307.70	2.45	0.80	365.00	135.50
Gold ($/troy oz.)	COMEX	1093.70	10.70	0.99	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1636.00	17.00	1.05	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,077.00	-18.00	-0.86	2,356.50	1,288.00
Tin ($/ton)	LME	16,100.00	-950.00	-5.57	18,250.00	9,945.00
Copper ($/ton)	LME	6,693.00	-174.00	-2.53	7,695.00	3,171.00
Lead ($/ton)	LME	2,016.00	-69.00	-3.31	2,615.00	995.00
Zinc ($/ton)	LME	2,101.00	-32.00	-1.50	2,659.00	1,086.00
Nickel ($/ton)	LME	18,125	-595	-3.18	21,150	9,475
Crude oil ($/bbl.)	NYMEX	73.53	0.64	0.88	141.30	48.78
Heating oil ($/gal.)	NYMEX	1.9400	0.0270	1.41	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9203	0.0069	0.36	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.380	0.249	4.85	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	72.40	0.94	1.32	98.10	49.10
Gas oil ($/ton)	ICE-EU	592.50	-0.75	-0.13	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Feb. 1

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3376	0.1873	3.8413	0.2603
Brazil real	2.5968	0.3851	1.8688	0.5351
Canada dollar	1.4819	0.6748	1.0665	0.9377
1-mo. forward	1.4820	0.6748	1.0665	0.9376
3-mos. forward	1.4820	0.6748	1.0665	0.9376
6-mos. forward	1.4823	0.6746	1.0667	0.9374
Chile peso	734.45	0.001362	528.55	0.001892
Colombia peso	2743.67	0.0003645	1974.50	0.0005065
Ecuador US dollar-f	1.3896	0.7197	1	1
Mexico peso-a	18.0270	0.0555	12.9733	0.0771
Peru sol	3.9630	0.2523	2.8520	0.3506
Uruguay peso-e	27.166	0.0368	19.550	0.0512
U.S. dollar	1.3896	0.7197	1	1
Venezuela bolivar	5.97	0.167571	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5688	0.6374	1.1290	0.8858
China yuan	9.4872	0.1054	6.8275	0.1465
Hong Kong dollar	10.7921	0.0927	7.7667	0.1288
India rupee	64.3014	0.0156	46.2750	0.0216
Indonesia rupiah	13041	0.0000767	9385	0.0001066
Japan yen	126.12	0.007929	90.77	0.011017
1-mo. forward	126.11	0.007930	90.75	0.011019
3-mos. forward	126.06	0.007932	90.72	0.011023
6-mos. forward	125.99	0.007937	90.67	0.011029
Malaysia ringgit-c	4.7450	0.2107	3.4148	0.2928
New Zealand dollar	1.9713	0.5073	1.4186	0.7049
Pakistan rupee	118.181	0.0085	85.050	0.0118
Philippines peso	64.621	0.0155	46.505	0.0215
Singapore dollar	1.9633	0.5093	1.4129	0.7078
South Korea won	1620.56	0.0006171	1166.25	0.0008575
Taiwan dollar	44.500	0.02247	32.025	0.03123
Thailand baht	46.112	0.02169	33.185	0.03013

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7197	1.3896
1-mo. forward	1.0001	0.9999	0.7197	1.3895
3-mos. forward	1.0002	0.9998	0.7198	1.3892
6-mos. forward	1.0008	0.9992	0.7202	1.3884
Czech Rep. koruna-b	25.980	0.0385	18.697	0.0535
Denmark krone	7.4452	0.1343	5.3580	0.1866
Hungary forint	270.11	0.003702	194.39	0.005144
Norway krone	8.1840	0.1222	5.8897	0.1698
Poland zloty	3.9898	0.2506	2.8713	0.3483
Russia ruble-d	42.235	0.02368	30.395	0.03290
Sweden krona	10.1237	0.0988	7.2856	0.1373
Switzerland franc	1.4724	0.6792	1.0596	0.9438
1-mo. forward	1.4721	0.6793	1.0594	0.9439
3-mos. forward	1.4716	0.6795	1.0590	0.9443
6-mos. forward	1.4706	0.6800	1.0583	0.9449
Turkey lira	2.0699	0.4831	1.4897	0.6713
U.K. pound	0.8738	1.1444	0.6289	1.5902
1-mo. forward	0.8740	1.1442	0.6290	1.5899
3-mos. forward	0.8744	1.1437	0.6293	1.5892
6-mos. forward	0.8750	1.1429	0.6297	1.5881
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5239	1.9089	0.3770	2.6525
Egypt pound-a	7.6023	0.1315	5.4711	0.1828
Israel shekel	5.1601	0.1938	3.7135	0.2693
Jordan dinar	0.9835	1.0168	0.7078	1.4129
Kuwait dinar	0.3998	2.5012	0.2877	3.4756
Lebanon pound	2085.02	0.0004796	1500.50	0.0006665
Saudi Arabia riyal	5.2110	0.1919	3.7502	0.2667
South Africa rand	10.4727	0.0955	7.5368	0.1327
United Arab dirham	5.1038	0.1959	3.6730	0.2723
SDR -f	0.8970	1.1149	0.6455	1.5492

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
51	**ASIA-PACIFIC**	DJ Asia-Pacific	119.01	-0.51	-0.43%	-3.3%	39.8%
...	Australia	SPX/ASX 200	4524.14	-45.48	-1.00	-7.1	29.4
...	China	CBN 600	26106.70	-375.00	-1.42	-10.1	54.4
18	Hong Kong	Hang Seng	20243.75	121.76	0.61%	-7.4	57.4
18	India	Sensex	16356.03	-1.93	-0.01	-6.3	80.4
...	Indonesia	Jakarta Composite	2587.549	-23.247	-0.89	2.1	97.4
...	Japan	Nikkei Stock Average	10205.02	6.98	0.07	-3.2	29.6
...		Topix	898.61	-2.51	-0.28	-1.0	15.5
...	Malaysia	Kuala Lumpur Composite	1259.16		Closed	-1.1	42.4
...	New Zealand	NZSX-50	3150.968	-13.686	-0.43	-2.5	13.7
9	Pakistan	KSE 100	9591.50	-22.69	-0.24	2.2	79.8
14	Philippines	Manila Composite	2883.21	-69.98	-2.37	-5.6	57.2
...	Singapore	Straits Times	2736.17	-9.18	-0.33	-5.6	60.5
11	South Korea	Kospi	1606.44	4.01	0.25	-4.5	40.1
20	Taiwan	Weighted	7524.67	-115.77	-1.52	-8.1	76.6
10	Thailand	SET	697.61	1.06	0.15	-5.0	63.1
58	**EUROPE**	DJ Stoxx 600	248.40	1.44	0.58	-1.9	33.3
23		DJ Stoxx 50	2490.35	11.84	0.48	-3.4	28.5
70	**Euro Zone**	DJ Euro Stoxx	263.71	1.84	0.70%	-4.0%	29.8%
21		DJ Euro Stoxx 50	2794.72	17.89	0.64	-5.8	27.1
19	Denmark	OMX Copenhagen	336.77	3.38	1.01	6.7	43.2
20	Finland	OMX Helsinki	6754.98	50.93	0.76	4.6	35.3
18	France	CAC-40	3762.01	22.55	0.60	-4.4	28.4
23	Germany	DAX	5654.48	45.69	0.81	-5.1	32.4
14	Italy	FTSE MIB	22012.00	115.71	0.53	-5.3	26.0
...	Netherlands	AEX	331.31	3.41	1.04	-1.2	34.7
...	Russia	RTSI	1470.79	-3.02	-0.20%	3.1	189.4
10	Spain	IBEX 35	10995.2	47.5	0.43	-7.9	33.5
14	Switzerland	SMI	6496.33	55.61	0.86	-0.8	25.7
...	Turkey	ISE National 100	55526.01	875.43	1.60	5.1	119.7
14	U.K.	FTSE 100	5247.41	58.89	1.14	-3.1	28.7
21	**AMERICAS**	DJ Americas	285.79	1.98	0.70	-3.6	37.9
...	Brazil	Bovespa	66214.23	812.46	1.24	-3.5	70.7
...	Argentina	Merval	2308.27	9.72	0.42	-0.5	117.2
20	Mexico	IPC	30391.61		Closed	-5.4	55.3

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.21%	21	**DJ Global Index**	218.09	0.73	0.34%	-3.9%	40.3%	-8.3%
		Global DOW	1881.58	-2.26	-0.12	-5.2	38.5	-5.0
2.38		**Asia/Pacific 600**	112.37	-0.44	-0.39	-2.0	30.3	-9.1
1.78	15	**Emerging Markets**	263.94	-0.43	-0.16	-5.7	81.1	1.3
2.19	51	**Asia/Pacific**	119.01	-0.51	-0.42	-3.3	39.8	-7.1
2.49	17	**Asia/Pacific ex-Japan**	294.17	-1.67	-0.56	-6.7	75.8	-1.7
2.63	23	**Southeast Asia**	151.48	-2.04	-1.33	-5.8	80.9	0.1
0.91	26	**CBN China 600** -c	26106.70	-375.00	-1.42	-10.1	54.4	12.2
0.93	30	**Shanghai**	350.74	-5.12	-1.44	-9.5	54.1	12.3
0.62	43	**Shenzhen**	382.64	-5.16	-1.33	-8.1	77.2	19.5
2.39	18	**China Offshore 50**	3729.89	32.14	0.87	-8.5	60.3	5.0
7.76	9	**Australia LPT** -c, d	1111.76	-20.06	-1.77	-4.4	7.3	-23.8

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	PERFORMANCE Three-yr., annualized
2.16%	14	**Islamic Market**	1897.05	6.95	0.37%	-3.9%	37.8%	-3.6%
2.46	15	**Islamic Market 100**	2043.52	8.52	0.42	-3.7	26.9	-4.0
9.45		**Bahrain**	124.28	0.65	0.53	2.1	-10.3	-12.3
3.00	44	**Kuwait**	187.32	0.28	0.15	-3.8	-0.6	-17.2
2.69	18	**Sustainability**	960.90	2.14	0.22	-5.1	41.6	-9.3
2.53	58	**Stoxx 600 -p**	256.36	1.33	0.52	-5.8	40.1	-10.8
4.09	18	**Stoxx Select Div 30 -p**	1694.67	10.23	0.61	-5.6	39.9	-22.7
3.67	25	**Euro Stoxx Sel Div 30 -p**	2015.77	18.45	0.92	-5.2	46.7	-18.3
1.78	30	**DJ U.S. TSM**	11171.66	72.23	0.65	-2.8	33.9	-8.6
4.33	14	**U.S. Select Dividend -d**	635.09	2.63	0.42	-2.4	29.3	-11.3
5.03		**U.S. REIT**	139.53	1.35	0.98	-4.0	35.3	-21.4
		DJ-UBS Commodity -p	129.05	-1.00	-0.77	-7.3	16.3	-7.0

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.129	0.629	1.066	6.827	0.720	7.767	46.275	9385.27	90.765	1.419	1166.25	3.415	46.505	1.413	1.060	32.025	33.185
Australia	0.886		0.557	0.945	6.047	0.637	6.879	40.988	8313.00	80.395	1.257	1033.00	3.025	41.192	1.251	0.939	28.366	29.394
Britain	1.590	1.795		1.696	10.857	1.144	12.351	73.587	14924.45	144.335	2.256	1854.57	5.430	73.952	2.247	1.685	50.926	52.771
Canada	0.938	1.059	0.590		6.402	0.675	7.283	43.392	8800.47	85.109	1.330	1093.58	3.202	43.607	1.325	0.994	30.030	31.117
China	0.1465	0.165	0.092	0.156		0.105	1.138	6.778	1374.63	13.294	0.208	170.82	0.500	6.811	0.207	0.155	4.691	4.860
Euro	1.390	1.569	0.874	1.482	9.487		10.792	64.301	13041.30	126.123	1.971	1620.56	4.745	64.621	1.963	1.472	44.500	46.112
Hong Kong	0.129	0.145	0.081	0.137	0.879	0.093		5.958	1208.41	11.687	0.183	150.16	0.440	5.988	0.182	0.136	4.123	4.273
India	0.0216	0.0244	0.0136	0.0230	0.1475	0.0156	0.1678		202.82	1.9614	0.0307	25.20	0.0738	1.0050	0.0305	0.0229	0.6921	0.7171
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0097	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.075	0.008	0.086	0.510	103.40		0.016	12.85	0.038	0.512	0.016	0.012	0.353	0.366
New Zealand	0.705	0.796	0.443	0.752	4.813	0.507	5.475	32.619	6615.67	63.980		822.09	2.407	32.781	0.996	0.747	22.574	23.392
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0397	8.05	0.0778	0.0012		0.0029	0.0399	0.0012	0.0009	0.0275	0.0285
Malaysia	0.293	0.331	0.184	0.312	1.999	0.211	2.274	13.552	2748.45	26.580	0.415	341.53		13.619	0.414	0.310	9.378	9.718
Philippines	0.022	0.024	0.014	0.023	0.147	0.015	0.167	0.995	201.81	1.952	0.031	25.08	0.073		0.030	0.023	0.689	0.714
Singapore	0.708	0.799	0.445	0.755	4.832	0.509	5.497	32.752	6642.55	64.240	1.004	825.43	2.417	32.915		0.750	22.666	23.487
Switzerland	0.944	1.065	0.593	1.006	6.443	0.679	7.330	43.672	8857.37	85.660	1.339	1100.65	3.223	43.889	1.333		30.224	31.318
Taiwan	0.031	0.035	0.020	0.033	0.213	0.022	0.243	1.445	293.06	2.834	0.044	36.42	0.107	1.452	0.044	0.033		1.036
Thailand	0.030	0.034	0.019	0.032	0.206	0.022	0.234	1.394	282.82	2.735	0.043	35.14	0.103	1.401	0.043	0.032	0.965	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 01, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	286.33	-0.77%	**25.8%**	37.6%
2.50	27	**World (Developed Markets)**	1,119.54	-0.78	**21.7**	33.5
1.80	116	**World Small Cap**	185.50	-1.01	**38.2**	49.8
2.60	22	**Kokusai (World ex-Japan)**	1,103.51	-0.60	**23.7**	36.1
3.00	27	**EAFE**	1,510.61	-0.43	**22.1**	35.5
2.10	20	**Emerging Markets (EM)**	933.59	-0.69	**64.6**	76.3
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	390.03	-1.62	**57.7**	70.8
2.10	22	**AC Far East ex-Japan**	421.97	-1.23	**54.7**	64.6
1.70	-36	**Japan**	564.01	-1.46	**6.4**	15.3
2.00	19	**China**	59.30	-1.05	**45.4**	58.5
0.90	37	**China A (China Domestic)**	3,063.80	0.03	**76.6**	58.9
2.70	22	**Hong Kong**	9,522.55	-0.57	**45.3**	44.5
1.00	20	**India**	664.31	0.27	**79.9**	83.2
1.10	16	**Korea**	456.35	-2.39	**48.7**	42.6
2.40	19	**Malaysia**	463.64	-0.27	**44.3**	41.6
3.10	17	**Singapore**	1,526.46	-0.47	**53.1**	54.9
2.60	232	**Taiwan**	276.42	-0.64	**59.4**	73.2
3.00	18	**Thailand**	284.43	1.23	**53.7**	59.2
4.00	24	**Australia**	942.07	-2.21	**23.1**	29.4
5.40	16	**New Zealand**	84.61	-1.21	**11.4**	5.6
1.90	32	**US BROAD MARKET**	1,192.99	-1.02	**21.4**	32.6
3.40	17	**EUROPE**	85.70	0.99	**23.4**	28.1

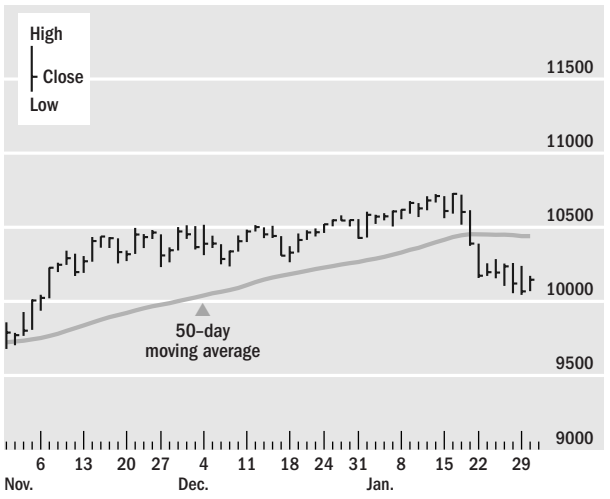
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 16

LAST: **10145.93** ▲ 78.60, or 0.78%
YEAR TO DATE: ▼ **282.12, or 2.7%**
OVER 52 WEEKS ▲ **2,209.10, or 27.8%**



Nasdaq Composite Index P/E: 22*

LAST: **2156.18** ▲ 8.83, or 0.41%
YEAR TO DATE: ▼ **112.97, or 5.0%**
OVER 52 WEEKS ▲ **661.75, or 44.3%**

S&P 500 Index P/E: 31

LAST: **1083.45** ▲ 9.58, or 0.89%
YEAR TO DATE: ▼ **31.65, or 2.8%**
OVER 52 WEEKS ▲ **258.01, or 31.3%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**12.30**	$25.37	0.01	**0.04%**
Alcoa	AA	**17.70**	13.11	0.38	**2.99**
AmExpress	AXP	**4.60**	38.01	0.35	**0.93**
BankAm	BAC	**78.70**	15.37	0.19	**1.25**
Boeing	BA	**2.10**	61.55	0.95	**1.57**
Caterpillar	CAT	**3.50**	52.89	0.65	**1.24**
Chevron	CVX	**5.10**	72.95	0.83	**1.15**
CiscoSys	CSCO	**28.30**	22.46	-0.01	**-0.04**
CocaCola	KO	**3.40**	54.17	-0.09	**-0.16**
Disney	DIS	**5.20**	29.40	-0.15	**-0.51**
DuPont	DD	**2.60**	33.30	0.69	**2.12**
ExxonMobil	XOM	**17.50**	66.23	1.80	**2.79**
GenElec	GE	**26.80**	16.31	0.23	**1.43**
HewlettPk	HPQ	**7.90**	47.29	0.22	**0.47**
HomeDpt	HD	**6.00**	28.12	0.11	**0.39**
Intel	INTC	**23.10**	19.58	0.18	**0.93**
IBM	IBM	**2.90**	123.79	1.40	**1.14**
JPMorgChas	JPM	**18.10**	39.65	0.71	**1.82**
JohnsJohns	JNJ	**4.00**	62.93	0.07	**0.11**
KftFoods	KFT	**6.90**	27.87	0.21	**0.76**
McDonalds	MCD	**3.50**	63.61	1.18	**1.89**
Merck	MRK	**4.00**	38.13	-0.05	**-0.13**
Microsoft	MSFT	**45.80**	28.12	-0.06	**-0.21**
Pfizer	PFE	**18.30**	18.74	0.08	**0.43**
ProctGamb	PG	**5.80**	61.84	0.29	**0.47**
3M	MMM	**1.40**	80.16	-0.33	**-0.41**
TravelersCos	TRV	**1.40**	50.58	-0.09	**-0.18**
UnitedTech	UTX	**1.90**	67.41	-0.07	**-0.10**
Verizon	VZ	**5.50**	29.49	0.07	**0.24**
WalMart	WMT	**5.00**	53.35	-0.08	**-0.15**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**126.7**	$3.33	$0.01	**0.30%**
SPDR S&P 500	SPY	**93.2**	108.43	1.04	**0.97**
BankAm	BAC	**80.0**	15.36	0.18	**1.21**
PwrShrs QQQ	QQQQ	**65.9**	42.95	0.16	**0.37**
SPDR FnclSelSct	XLF	**61.7**	14.38	0.20	**1.41**
Microsoft	MSFT	**46.1**	28.13	–0.05	**–0.18**
BosSci	BSX	**46.1**	8.53	–0.10	**–1.16**
FordMotor	F	**41.6**	11.08	0.24	**2.20**
SiriusXM	SIRI	**41.2**	0.86	0.02	**2.17**
iShrMSCIEmrgMkt	EEM	**41.1**	38.91	0.63	**1.65**
DrxFinancBear 3x	FAZ	**33.2**	19.20	–0.72	**–3.61**
Motorola	MOT	**30.7**	6.27	0.12	**1.95**
CiscoSys	CSCO	**28.4**	22.46	–0.01	**–0.04**
GenElec	GE	**26.9**	16.32	0.24	**1.49**
BrcadeComm	BRCD	**26.8**	6.55	–0.32	**–4.66**

Biggest gainers...

AtlSthrnFnlGp	ASFN	**34.9**	$3.10	$1.00	**47.62%**
ValassisComm	VCI	**2,907.1**	24.45	3.52	**16.82**
CoffeeHldg	JVA	**31.1**	4.54	0.64	**16.31**
HackettGrp	HCKT	**76.4**	2.68	0.36	**15.52**
NAmPaladm	PAL	**2,433.1**	3.86	0.45	**13.20**

...Biggest losers

Cntnucare	CNU	**1,879.4**	$4.07	-$0.77	**-15.91%**
MetroCorp	MCBI	**25.2**	2.96	-0.54	**-15.43**
SmithtwnBcp	SMTB	**447.9**	4.65	-0.76	**-14.05**
CapBk	CBKN	**32.0**	3.67	-0.49	**-11.78**
PenwstPharm	PPCO	**83.7**	2.30	-0.30	**-11.54**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.88	**Taiwan Semi**	TSM	**10,695.6**	$10.00	-0.16	**-1.57%**
4.24	1.65	**Utd Microelectronics**	UMC	**4,652.2**	3.56	0.05	**1.42**
82.74	33.09	**BHP Billiton**	BHP	**2,785.6**	71.42	2.05	**2.96**
13.30	6.35	**AU Optrncs**	AUO	**2,732.5**	10.85	-0.09	**-0.82**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,648.0**	5.22	0.09	**1.75**
8.19	3.93	**Siliconware Prec Ind**	SPIL	**1,583.7**	6.67	-0.09	**-1.33**
91.97	56.79	**Toyota Motor**	TM	**1,130.9**	79.49	2.49	**3.23**
15.95	8.65	**China Unicom**	CHU	**1,013.8**	10.98	-0.22	**-1.96**
18.64	12.59	**SK Telecom**	SKM	**756.2**	17.24	-0.09	**-0.52**
34.99	15.64	**Sony**	SNE	**594.2**	34.00	0.77	**2.32**
59.22	40.20	**China Mobile**	CHL	**586.8**	47.91	0.96	**2.04**
5.23	1.51	**Adv Semi Engrg**	ASX	**472.5**	3.86	-0.04	**-1.03**
59.13	22.61	**Infosys Tech**	INFY	**401.3**	52.45	0.54	**1.04**
9.50	3.96	**Nomura Hldgs**	NMR	**341.7**	7.54	0.06	**0.80**
150.50	47.09	**POSCO**	PKX	**331.4**	116.93	3.98	**3.52**
81.00	38.70	**China Life Ins**	LFC	**264.1**	66.89	0.85	**1.29**
21.22	16.33	**ChunghwaTel**	CHT@	**252.6**	18.70	-0.28	**-1.48**
34.27	10.70	**Aluminum Cp of China**	ACH	**251.6**	25.40	0.59	**2.38**
18.20	6.85	**Korea Elec Pwr**	KEP	**231.3**	16.46	0.21	**1.29**
37.23	20.72	**Honda Motor**	HMC	**224.6**	33.81	-0.10	**-0.29**
17.19	10.60	**Matsushita Elec**	PC	**223.0**	15.96	0.25	**1.59**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**214.4**	19.68	0.26	**1.34**
34.43	21.60	**Huaneng Power Intl**	HNP	**196.3**	23.71	1.45	**6.51**
24.61	17.71	**NTT**	NTT	**188.7**	21.80	0.70	**3.32**
17.99	13.11	**NTT DoCoMo**	DCM	**178.7**	15.39	0.49	**3.29**
21.78	11.30	**KT Corp**	KT	**177.4**	21.13	0.00	**0**
43.95	21.23	**Canon**	CAJ	**172.8**	39.15	0.04	**0.10**
7.74	2.00	**Alumina**	AWC	**133.1**	5.69	0.22	**4.02**
135.92	63.94	**PetroChina**	PTR	**129.3**	113.16	1.67	**1.50**
13.45	2.00	**City Telecom**	CTEL	**114.7**	10.32	-0.41	**-3.78**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

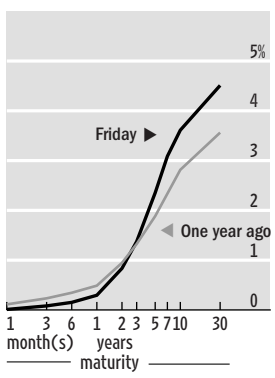
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.205%**	**333.4**	335.2	326.3	**146.2**	**4.195%**	4.411%	**2.413%**
4.500	10	**5.440**	**177.6**	181.9	189.3	**125.3**	**5.430**	5.730	**4.103**
5.000	**Austria** 2	**1.627**	**75.6**	74.0	63.4	**56.3**	**1.583**	1.782	**1.514**
3.900	10	**3.680**	**1.6**	3.9	4.3	**137.0**	**3.650**	3.880	**4.220**
2.000	**Belgium** 2	**1.422**	**55.1**	58.8	-0.2	**55.2**	**1.431**	1.146	**1.503**
3.750	10	**3.742**	**7.8**	13.7	-11.5	**156.0**	**3.748**	3.722	**4.410**
1.500	**Canada** 2	**1.352**	**48.1**	49.0	33.2	**47.3**	**1.333**	1.480	**1.424**
3.750	10	**3.391**	**-27.3**	-27.3	-22.5	**20.1**	**3.338**	3.612	**3.051**
4.000	**Denmark** 2	**1.894**	**102.3**	105.7	97.4	**168.0**	**1.900**	2.122	**2.631**
4.000	10	**3.536**	**-12.8**	-4.4	-18.6	**89.4**	**3.567**	3.651	**3.744**
3.750	**France** 2	**1.214**	**34.3**	36.6	9.2	**72.3**	**1.209**	1.240	**1.674**
3.750	10	**3.461**	**-20.3**	-17.3	-23.5	**95.9**	**3.438**	3.602	**3.809**
1.250	**Germany** 2	**1.141**	**27.0**	27.8	18.0	**57.8**	**1.121**	1.328	**1.529**
3.250	10	**3.194**	**-47.0**	-43.1	-45.6	**43.9**	**3.180**	3.381	**3.289**
0.550	**Hong Kong** 2	**0.680**	**-19.1**	-14.7	-53.6	**-19.6**	**0.696**	0.612	**0.755**
2.160	10	**3.020**	**-64.4**	-58.8	-117.7	**-107.9**	**3.023**	2.660	**1.771**
5.000	**Italy** 2	**1.859**	**98.8**	109.6	41.7	**144.3**	**1.939**	1.565	**2.394**
4.250	10	**4.052**	**38.8**	48.1	30.2	**185.5**	**4.092**	4.139	**4.705**
0.200	**Japan** 2	**0.165**	**-70.6**	-67.8	-99.8	**-49.7**	**0.165**	0.150	**0.454**
1.300	10	**1.337**	**-232.7**	-228.1	-254.6	**-156.1**	**1.330**	1.291	**1.289**
2.500	**Netherlands** 2	**1.180**	**30.9**	36.9	-27.9	**89.9**	**1.212**	0.869	**1.850**
4.000	10	**3.395**	**-26.9**	-21.4	-28.1	**114.1**	**3.397**	3.556	**3.991**
3.200	**Portugal** 2	**2.155**	**128.4**	145.7	27.4	**104.5**	**2.300**	1.422	**1.996**
4.750	10	**4.387**	**72.3**	77.8	22.8	**174.1**	**4.389**	4.065	**4.591**
5.350	**Spain** 2	**1.754**	**88.3**	89.4	43.3	**141.5**	**1.737**	1.581	**2.366**
4.000	10	**4.046**	**38.2**	50.0	15.0	**155.7**	**4.111**	3.987	**4.407**
2.750	**Switzerland** 2	**0.538**	**-33.3**	-28.2	-53.2	**-48.0**	**0.561**	0.616	**0.471**
2.250	10	**2.019**	**-164.5**	-160.8	-182.0	**-64.8**	**2.003**	2.017	**2.202**
3.250	**U.K.** 2	**1.230**	**35.9**	42.8	14.2	**54.4**	**1.271**	1.290	**1.495**
4.500	10	**3.909**	**24.5**	29.9	17.6	**85.9**	**3.910**	4.013	**3.709**
0.875	**U.S.** 2	**0.871**	**...**	...	...	**...**	**0.843**	1.148	**0.951**
3.375	10	**3.664**	**...**	...	...	**...**	**3.611**	3.837	**2.850**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.510%**	16.26	2.41%	2.41%	2.41%	–11.38%
10-year Treasury	**3.611**	8.20	2.15	2.15	2.15	–3.18
7 Year Treasury	**3.087**	6.24	2.30	2.30	2.30	...
Five-year Treasury	**2.353**	4.70	1.64	1.64	1.64	2.18
Ryan Index	**2.629**	6.71	1.74	1.74	1.74	–0.79
3 Year Treasury	**1.375**	2.89	1.13	1.13	1.13	3.02
Two-year Treasury	**0.835**	1.98	0.77	0.77	0.77	2.28
1 Year Treasury	**0.295**	0.96	0.20	0.20	0.20	1.23
Six-month Treasury	**0.152**	0.50	0.04	0.04	0.04	0.64
Ryan Cash Index-a	**0.135**	0.44	0.06	0.06	0.06	0.60
Three-month bill	**0.081**	0.25	0.01	0.01	0.01	0.37
One-month bill	**0.010**	0.07	...	...	...	0.15

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.00
Switzerland	**0.53**	0.58
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.22906%**	0.43750%
Three month	**0.24906**	1.22500
Six month	**0.38375**	1.76000
One year	**0.84250**	2.07000

	Latest	52 wks ago
Euro Libor		
One month	**0.38938%**	1.73000%
Three month	**0.60688**	2.07625
Six month	**0.92750**	2.16313
One year	**1.20375**	2.26000
Hibor		
One month	**0.07929**	0.39000%
Three month	**0.13000**	0.99143
Six month	**0.24929**	1.33857
One year	**0.53929**	1.74214
Asian dollars		
One month	**0.2450%**	0.44%
Three month	**0.2600**	1.2340
Six month	**0.3963**	1.7320
One year	**0.8563**	2.0840

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.23%**	0.33%
U.K. (BBA)	**0.495**	1.503
Euro zone	**0.30**	1.23

Sources: WSJ Market Data Group; Reuters

MARKETS

BofA has a new voice in Washington

By Dan Fitzpatrick And Damian Paletta

One month into his new job, **Bank of America** Corp. Chief Executive Brian Moynihan is putting in as much time in Washington as he does in the bank's hometown of Charlotte, N.C.

It started with a two-day whirlwind of meetings: Federal Reserve Chairman Ben Bernanke, Treasury Secretary Timothy Geithner, Federal Deposit Insurance Corp. Chairman Sheila Bair and Comptroller of the Currency John Dugan, say people familiar with the situation.

While back in town to testify before a congressional panel investigating the financial crisis, Mr. Moynihan squeezed in visits to officials who dealt with Bank of America on its repayment of federal aid. On Jan. 20, he huddled with Deputy Treasury Secretary Neal Wolin before dinner with Mr. Geithner, White House adviser Valerie Jarrett and other bank executives.

The D.C. push represents a strategic shift by Bank of America under the 50-year-old Mr. Moynihan. For decades, the bank's attitude toward regulators and elected officials ranged from aloof to defiant as it gobbled up rivals across the U.S. It is the largest U.S. bank in assets.

Hugh L. McColl Jr., who put predecessor NCNB Corp. on the map in the 1980s and 1990s, cultivated President Bill Clinton but was more interested in acquisitions than becoming a familiar face in Washington, according to people close to Mr. McColl. Kenneth D. Lewis, who retired as CEO at the end of 2009, disliked political wrangling so much that it was a factor in his surprise decision to step down, say people familiar with his thinking.

Mr. Moynihan spent five of his first 13 working days as CEO in Washington. People close to the bank say he wants to revamp its recalcitrant reputation, have a voice in legislation and avoid a rerun of last year's sparring with U.S. officials, which led to regulatory handcuffs, a forced overhaul of the bank's board and Mr. Lewis's departure.

In another contrast to Mr. Lewis, Bank of America's new CEO was in Davos, Switzerland, last week for the World Economic Forum, where he met with European Central Bank chief Jean-Claude Trichet. Mr. Lewis never attended the annual get-together.

"Brian wants Bank of America to be a part of the solution to the economic challenges facing the country," says James Mahoney, a Bank of America spokesman. "We have a lot of resources and expertise that he wants to bring to bear in tandem with policy makers in Washington. If the economy grows, we grow. It's pretty straightforward."

William Longbrake, a former FDIC chief financial officer who now is a director at First Financial Northwest Inc., a bank in Renton, Wash., says Mr. Moynihan's moderate tone "is a necessary change because they are still not out of the woods....If there are more problems down the road, he needs [U.S. officials] to be on his side, not against him."

John McDonald, an analyst at Sanford C. Bernstein & Co., says it isn't a coincidence that the go-along-to-get-along approach comes as Bank of America is "in the crosshairs" of the regulatory shake-up reverberating over capital and liquidity requirements, credit cards, derivatives, bankers' pay and bonuses, and other fundamental parts of the U.S. banking industry.

"It makes it more likely you will be able to shape implementation if you sign up for the spirit of what they are doing," he says.

Spokesmen for U.S. agencies whose officials met with Mr. Moynihan declined to comment on the discussions. A White House spokeswoman described the CEO's meeting with Ms. Jarrett as part of the Obama administration's normal business outreach.

Mr. Moynihan, who joined a Bank of America predecessor as a lawyer, has promised to quicken the pace of mortgage modifications, pitched ideas for stimulating small-business activity, hinted that Bank of America won't oppose a proposed consumer-protection agency and fretted about how President Barack Obama would define the proprietary trading Mr. Obama wants to curb at giant banks, according to people familiar with the CEO's comments.

Other changes are coming. Now that Bank of America gets a substantial chunk of its overall revenue and profits from the former Merrill Lynch & Co., people inside the company say, it could establish dual headquarters in New York and Charlotte. No decision has been reached, and it isn't clear how wide-ranging the headquarters discussions are. Such headquarters splits are unusual, though a predecessor of rival Wachovia Corp. was based in Atlanta and Winston-Salem, N.C. Wells Fargo & Co. acquired Wachovia in 2008. Mr. Moynihan has an office in Bank of America's building near Bryant Park in midtown Manhattan. Mr. Lewis refused to have a New York office, borrowing one from another executive if necessary.

As CEO, Mr. Moynihan has tried to stay neutral on Mr. Obama's plan to curb proprietary trading, saying it depends on how that limitation is defined.

Mr. Moynihan goes to Washington | Heavy hitters on the new Bank of America CEO's calendar in January

Brian Moynihan — CEO since Jan. 1
Ben Bernanke — Fed chairman
Sheila Bair — FDIC chairman
John C. Dugan — Office of the Comptroller of the Currency chief
Timothy Geithner — Treasury secretary
Neal Wolin — Treasury deputy secretary
Phil Angelides — Financial Crisis Inquiry Commission chairman
Valerie Jarrett — Obama adviser

Photos: Agence France-Presse/Getty Images (Moynihan); Associated Press (Bernanke); Getty Images (Bair, Geithner); Bloomberg News (Dugan, Angelides); Treasury Dept. (Wolin); Reuters (Jarrett)

Thai central bank eases foreign-exchange rules

By Phisanu Phromchanya

BANGKOK—The Bank of Thailand took steps to ease foreign-exchange rules in an effort to boost capital outflows, which included proposing the removal of the $200 million annual limit on investment and lending to affiliated companies offshore.

The effect of the amended outflows regulations on the foreign-exchange market isn't expected to be substantial. But analysts warned that corporations could use the more convenient hedging tools as speculative channels, increasing baht volatility.

Starting Tuesday, importers and exporters will no longer have to provide an explanation and seek approval from the central bank when unwinding positions larger than $20,000. That will allow them to freely unwind foreign-exchange hedging transactions, helping them better manage their exchange-rate risks.

"Such relaxation aims at providing more flexibility for importers and exporters in managing their exchange-rate risk, as well as enhancing their ability to manage the risk," the central bank said in a statement.

But the new rules may have some unintended consequences.

"If there's no restriction whatsoever for corporates to unwind their positions, we're probably going to see more speculation activities from these corporates, and volatility will inevitably increase," a senior currency dealer at a local bank said.

In addition, a dealer at another bank said, "With the restriction removed, we'll probably see more single-direction orders from every party in the market—not two-way movement as intended by the central bank."

If the baht strengthens, importers could join the buying spree by unwinding their long-dollar positions and seeking to build them back up later, at a more favorable rate.

Another change the central bank made was to raise the limit on total overseas portfolio investment to $50 billion from $30 billion, also effective Tuesday.

The Bank of Thailand also plans to scrap the $200 million annual limit on investment and lending to affiliated companies abroad.

Thai-listed companies were already allowed to make unlimited direct investments abroad, but the changes extend the rule to unlisted companies as well, which have faced the $200 million limit.

The Finance Ministry must approve the change, but Minister Korn Chatikavanij last week indicated his support for the proposals.

The release of details of the new rules—which were flagged by Bank of Thailand Governor Tarisa Watanagase last week—had little impact on the baht. In New York trade early Monday, the dollar was at 33.16 baht, down from 33.179 baht late Friday.

'Princelings' bear watching

Continued from page 23

with major global private-equity firms. Industry pioneers such as TPG Capital's Shan Weijian and Carlyle Group's X.D. Yang aren't among the ranks of princelings, and many firms worry that family ties could ally them too closely to interests within Chinese politics.

Detractors often accuse princelings of profiting from their families' names. While the children of the politically powerful earn favors in many countries, the perception of a self-perpetuating aristocracy in China is particularly delicate for a ruling Communist Party that has portrayed itself as the champion of the common man. As a result, news about the business dealings of the children of top party officials is almost never covered by the local media. New Horizon took down its Web site last week after several foreign media stories discussed Mr. Wen's ties to the fund.

Still, princelings can serve as advocates for financial liberalization, and that could open China further to Western firms. Many are educated in the West and bring back ideas that can influence policy.

One example is Wang Boming, the son of a high-ranking Chinese diplomat who was educated at Columbia University and worked at the New York Stock Exchange. He helped rally a group of government officials and Chinese returnees around the idea of starting up a Chinese stock market in the late 1980s.

Leading Chinese investment bank **China International Capital** Corp. Chief Executive Levin Zhu is another example. Mr. Zhu helped bring back ideas from his work at Credit Suisse in the U.S. to influence the thinking of his father, Premier Zhu Rongji, in the restructuring of Chinese state-owned companies in the late 1990s.

Whatever one thinks of the princelings' business activities, there are easier ways to profit from good connections in China than running a private-equity fund, such as sweetheart real-estate deals. Managing funds from overseas investors requires accountability to investors wanting returns and transparent investment processes. The presence of leaders' sons and daughters in Chinese private equity may be pushing the industry faster toward acceptance within Chinese finance.

The princes of Chinese private equity

Prominent sons of Chinese leaders who are leading private-equity firms in China.

WINSTON WEN
Co-founder
New Horizon Capital

■ Operates a $500 million U.S. dollar fund backed by Singapore's Temasek Holdings and Japan's Softbank; currently raising his third U.S. dollar fund; also operates a domestic yuan fund.

■ **Family ties:** Son of Chinese Premier Wen Jiabao.

JEFFREY LI
GL China Opportunities Fund

■ Recently left post as China president of pharmaceutical company Novartis AG after five years to run this private-equity fund.

■ **Family ties:** Son of former Chinese Politburo Standing Committee Member Li Ruihuan.

LIU LEFEI
Chairman
Citic Private Equity Funds Management

■ Top official at a private-equity arm of China's largest brokerage, Citic Securities. The fund recently announced it had raised nine billion yuan from backers, including China's social security fund. Previously served as chief investment officer for China's biggest insurer, China Life.

■ **Family ties:** Son of Politburo member and senior propaganda official Liu Yunshan.

Source: WSJ reporting
Photos: ImageChina (Li), ImageForum via Agence France-Presse (Liu)

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

ICICI Bank tidies up its lending behavior

ICICI Bank is trying to clean up its act. Its new approach will bear fruit for investors, if they have the patience to see it through.

The bank's troubles stem from its recent history of heavy lending to consumers. India's largest non-state-owned bank by assets doubled the size of its balance sheet in the three years through March 2007 mostly by aggressively offering unsecured credit-card and personal loans.

That proved reckless. With India's economy slowing sharply, those loans began to sour rapidly.

So ICICI is heading in the other direction, shrinking its loan book in an effort to improve credit quality and shifting the balance of its lending away from consumers and toward corporate borrowers.

By December, total loans outstanding were down 16%.

Most of this contraction came from the unsecured, retail category. Where it does lend to consumers now, the bank says it will focus mainly on home and car loans.

This is smart, even if the bank does face some immediate hurdles. For sure, corporate lending hinges on a sustained broad-based economic recovery, and could be dented by rising interest rates across India.

As it is, ICICI's loans have typically been costlier than those of competitors, a hurdle to attracting customers.

But for now, corporate borrowing continues to rise, and ICICI has an edge in the form of referrals from its investment-banking and insurance subsidiaries.

Plus, the bank has turned a corner; the pace at which bad loans are accruing has peaked, and its net interest margin has begun to rise.

Moreover, ICICI says it is well on its way to opening 580 branches across India, reducing its reliance on agents—who are motivated only by commissions on loans—in favor of its own bankers when assessing consumer credit quality, and increasing its ability to attract lower-cost deposits.

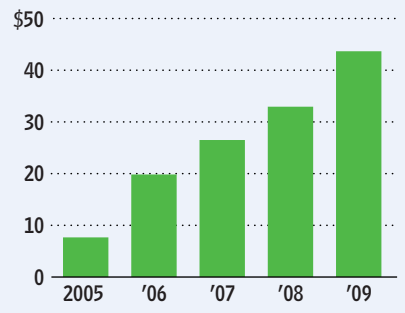
Stock investors aren't buying in yet. At 1.9 times book value, ICICI trades at a 30% discount to the broader spectrum of Indian banks tracked by Macquarie Research. Faster-growing **HDFC Bank**, which plans to add 1.2 million credit-card customers in the next year, trades at 3.8 times book value.

Clearly, it is going to take some more good behavior to persuade the doubters.

—Harsh Joshi

Great expectations

Syndicated lending by Indian banks, in billions of U.S. dollars



Sources: Dealogic (chart); Agence France-Presse (photo)

Don't ease off repo men when overhauling market

When the credit crisis struck, even the most boring businesses turned out to be dangerous.

That is something the U.S. government should remember as banks push back against attempts to overhaul the financial system.

Lately, banks are particularly unnerved by new policies that could affect the "repo" market—a usually liquid source of short-term collateralized borrowing, particularly for large investment banks.

Though it operated without serious hiccups for years, the repo market played a central role in the collapse of Bear Stearns and Lehman Brothers—and its subsequent freezing up also threatened entities like money-market funds. The government had to step in with huge emergency credit lines to protect big users.

Volatility

Yield on the 1-year Treasury bill

Source: Treasury Department; WSJ Market Data Group

The repo market has resurfaced as a hot issue because it appeared to fall within the list of bank liabilities subject to a levy planned by the government to ensure that Troubled Asset Relief Program funds are fully paid back. Now, though, the government is apparently open to the idea of exempting repos backed by Treasurys. These make up roughly 70% of the market, according to participants.

Would the exemption be a big setback for the financial-system overhaul?

Many think not. First, because repos operate on ultra-thin margins, a broad levy could shrink the market, they say. This could deprive the system of an important source of liquidity, and even drive up government borrowing rates. Second, exempting Treasury-backed repos could actually strengthen the market, by reducing the amount of repos backed with other, less-stable collateral. Third, they note that the repo market has shrunk a lot since the crisis. J.P. Morgan Chase estimates the repo market totaled $2.7 trillion at end-2009, from $4.5 trillion in August 2008.

All that said, the repo market could still prove to be a potential source of systemic instability. After a long period of low interest rates, even Treasury prices could get hit if the Federal Reserve gets caught out and has to hike rates quickly. While the repo market has survived previous interest-rate shocks, rates haven't been this low for this long before.

> **The repo market is allowing users to fund too many longer-term assets with short-term borrowing.**

Perhaps the bigger worry is that the repo market is allowing users to fund too many longer-term assets with extremely short-term borrowing. Granted, financial intermediation typically involves borrowing money and lending it on for longer time periods. But, in easy-money times, market funding sources like repo can too easily be used to finance, say, ill-matched bond bets.

Given bond markets are flush with liquidity, a troublesome mismatch of assets and liabilities could even now be occurring. And that is why the administration needs to think hard before softening its repo reforms.

—Peter Eavis

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MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Monday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10205.02
▲ **0.07% or 6.98**

The index edged higher, but weakness among major auto makers including Honda amid expanding recall problems weighed heavily on the broader market.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**142.06**	178	3	1.71
Toshiba	**88.25**	467	–30	–6.04
Mtshbsh Fin Grp	**86.93**	473	5	1.07
Hitachi	**52.73**	306	–5	–1.61
MazdaMtr	**43.38**	236	–9	–3.67

CBN 600
China 26106.70
▼ **1.42% or 375.00**

Continuing concerns over tightening market liquidity weighed on the market. Bank of China and Industrial & Commercial Bank of China fell.

Stock	Volume in millions	Close	Change Net	Change %
HaikouAgriIndustry	**186.28**	9.46	0.86	10.00
HainanExpressway	**154.15**	8.70	0.70	8.75
China State Con	**144.31**	4.22	–0.04	–0.94
CiticSecurities	**136.80**	26.44	–1.84	–6.51
United Network	**127.09**	6.74	–0.29	–4.13

ASX 200
Australia 4524.14
▼ **1.00% or 45.48**

The index slipped to almost a three-month low. Karoon Gas and Macarthur Coal dropped. Ramsay Health Care advanced following positive earnings guidance.

Stock	Volume in millions	Close	Change Net	Change %
Boart Longyear	**80.04**	0.32	–0.02	–4.48
GPT Group	**49.29**	0.57	unch	...
Telstra	**41.04**	3.32	–0.02	–0.60
MacquarieOffTrust	**35.21**	0.28	–0.02	–5.08
Dexus Property	**33.11**	0.81	–0.02	–2.41

Hang Seng
Hong Kong 20243.75
▲ **0.61% or 121.76**

TPV jumped after Mitsui said Friday it will buy a 20% stake in the company. China Unicom slid after saying Friday it expects its 2009 net profit fell by more than 50%.

Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**344.09**	3.76	0.01	0.27
CCB	**341.88**	6.09	0.11	1.84
Icbc	**257.12**	5.77	0.07	1.23
PetroChina	**105.15**	8.76	–0.04	–0.45
ChinaPetroChem	**85.03**	6.13	0.02	0.33

Asian stocks in the news

New World Dev
Hong Kong HK$13.30
▲ **3.9% or HK$0.50**

The Standard reported that the developer sold around 80% of the homes at Belcher's Hill.

Price-to-earnings ratio	**27**
Earnings per share, past four quarters	**0.49**
Dividend yield	**2.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Real Estate	**-0.5%**	-4.1%	42.9%
New World Dev	**3.9%**	-3.8%	84.7%

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Fanuc
Japan ¥9,040
▲ **4.4% or ¥380**

The industrial robot maker raised its sales forecast for the year to March on Friday.

Price-to-earnings ratio	**64**
Earnings per share, past four quarters	**140.30**
Dividend yield	**0.4**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.0%**	-4.6%	53.0%
Fanuc	**4.4%**	6.6%	65.6%

Esprit Hldgs
Hong Kong HK$52.95
▼ **3.9% or HK$2.15**

Greece and Spain's woes could hurt growth prospects for other EU members, dealers said.

Price-to-earnings ratio	**14**
Earnings per share, past four quarters	**3.72**
Dividend yield	**2.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-0.5%**	-3.8%	30.2%
Esprit Hldgs	**-3.9%**	-1.0%	36.2%

BlueScope Steel
Australia A$2.50
▼ **4.6% or A$0.12**

The firm's shares declined amid weakness in the materials sector.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-0.07**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**-0.9%**	-7.4%	69.4%
BlueScope Steel	**-4.6%**	-12.0%	-6.1%

Elpida Memory Inc.
Japan ¥1,509
▼ **5.7% or ¥92**

The firm fell alongside other tech shares in the region after recent losses on the Nasdaq.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-63.60**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-1.1%**	-5.6%	71.3%
Elpida Memory Inc.	**-5.7%**	-13.3%	154.5%

Toshiba
Japan ¥467
▼ **6.0% or ¥30**

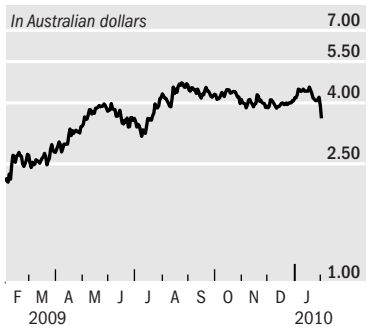
The company trimmed its revenue forecast Friday afternoon, disappointing analysts.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-9.40**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-1.0%**	-4.6%	53.0%
Toshiba	**-6.0%**	-9.5%	63.9%

Arrow Energy
Australia A$3.55
▼ **9.7% or A$0.38**

Chief Executive Nick Davies flagged a possible fund-raising in a Dow Jones Newswires interview.



Price-to-earnings ratio	**7**
Earnings per share, past four quarters	**0.52**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-0.4%**	-3.4%	49.2%
Arrow Energy	**-9.7%**	-12.8%	57.8%

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